[216. Confidential Files 1935 Consular Posts Beirut, Lebanon

Volume [illegible]

[illegible]

In reply refer to
File No. 150.069/306A

DEPARTMENT OF STATE

WASHINGTON

AMERICAN CONSULATE GENERAL
1935
BEIRUT, SYRIA

March 2, 1935.

CONFIDENTIAL - STAFF USE ONLY

POSSIBLE FRAUDULENT VISA ACTIVITIES OF CERTAIN PERSONS AND ORGANIZATIONS.

To

American Consular Officers

Sirs:

The Department has reason to believe that some or all of the following persons and organizations are engaged in immigration activities of a doubtful character and you are, therefore, requested to suspend action upon any visa applications and to report the full facts to the Department in any cases which may come to your attention in which any of them is interested:

All Nations Exchange Travel Bureau
All Nations Exchange
Dr. Nicholas E. Schreiber
Dr. Schreiber E. Miklos
Louis Gartner
"German Notary" Hacker.

Copies of any communications received from any of the above mentioned persons or organizations, all of whose addresses are 207 East Eighty-fourth Street, New York, New York, should be transmitted to the Department under cover of a despatch, together with the replies thereto.

Very truly yours,

For the Secretary of State:

WILBUR J. CARR

Index under:

Immigration; Fraudulent Visa Activities suspected of certain persons and organizations - report them.
✓ All Nations Exchange Travel Bureau; Possible fraudulent visa activities of.
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✓ Gartner, Louis; Possible fraudulent visa activities of.
✓ "German Notary" Hacker; Possible fraudulent visa activities of.
✓ Hacker, "German Notary"; Possible fraudulent visa activities of.
Visa; Fraudulent activities of certain persons and organizations.
✓ Schreiber, Dr.E.Miklos;Possible fraudulent visa activities of.

Consulate File No. 811.11
Cross Reference File No. 855

3

AMERICAN CONSULATE GENERAL

APR 26 1935

BEIRUT, SYRIA

INFORMATION SERIES No. 72. March 18, 1935.

STRICTLY CONFIDENTIAL

P E R U

(As of December 14, 1934)

N.B. (This is the third of a series on Latin American countries which will be supplemented from time to time by similar bulletins on other countries in the same area.)

PERU

Geographic

Peru's area of approximately 500,000 square miles* is larger than the combined area of California, Texas, New York, and the whole of New England. The exact size of the country cannot be determined, owing to the pending boundary dispute with Ecuador.

Peru is divided into three well-defined regions, one a coastal zone, fifty to one hundred miles wide and approximately fourteen hundred miles long, where the main business and political life of the Republic is conducted. Its sub-tropical climate is suited to the cultivation of cotton and sugar, which constitute important items of export. Two, the Sierra region, consisting of high plateaus and the lofty range of the Andes. This was the scene of the historic Inca Empire. With the exception of a few important mining activities and a considerable agricultural development, it is largely undeveloped and inhabited chiefly by the Indians, who live in a primitive state little changed from that at the time of the Spanish conquest. Three, the Montaña region, which lies to the east of the two regions mentioned. It comprises heavily forested slopes dropping to the low-lying Amazon basin. Its inhabitants are almost entirely savage Indians of the most primitive type.

Population, Education and Communications

The population of Peru is estimated at 5,000,000 people.** More than one-half of the population are Indians, most of the rest are mestizos. The Spanish stock numbering approximately one-half million has a practical monopoly of government administration and the professions. The bulk of the Indian population is little touched by modern life.

While primary education is theoretically free of change and compulsory for all by the law of 1920, in 1926 only 262,267 pupils between the ages of six and fourteen were in public primary schools. The University of San Marcos, at Lima, founded in 1551, the oldest university in the new world, has been closed intermittently from 1920 until the present for political reasons, as it has been considered a hotbed of radicalism. It will reopen in April, 1935; the Medical Faculty reopened August, 1934. Catholicism is professed by the majority of the inhabitants. There has never been a separation of Church from State and the power of the clergy is still considerable.

At the time of the downfall of the Inca dynasty, there were two longitudinal highways in Peru running north to south for a distance of some 2,000 miles, one in the Sierra and another along the seacoast. These highways were allowed to fall into disuse, however, and for nearly four hundred years, after the arrival of the Spaniards, until Leguia started his road-building program in 1926, Peru was practically without passable roads. At the present time road building is going forward at a very rapid rate in all parts of the country. An excellent highway between Lima and Oroyo will be completed in January 1935. There are approximately 6,660 miles of motor roads in use. In 1926 there were 2,523 miles of railroads, eighty percent of which were under the management of a British company, the Peruvian Corporation, Limited.

Peru is the legendary country of fabulous wealth in gold and silver, much having been produced by the natives before the Spaniards came; the Spaniards having enslaved part of the Indian population and forced them to extract the precious metals for them. It is wealthy in minerals. Petroleum, copper and silver constitute eighty percent of its mineral output. A great variety of other metals is also found, including gold, now being intensively mined, mercury, lead, zinc, nickle, iron, coal, vismuth, wolframite, tungsten, molybdenum

*The statistical abstract, 1929-30, gives 1,378,360 square kilometers.
**The statistical abstract for 1929-30 estimates Peru's population at 6,147,000.

molybdenum and vanadium. Peru produces 80 percent of the world's requirements of the last metal. The Cerro de Pasco Copper Corporation, an American Company, operates the great Cerro de Pasco mine in the Department of Junin. This mine is famed in history as the second most important silver mine in the world, yielding place only to that of Potosi. Its output in 1927 was 12,500,000 ounces of silver, 40,000 tons of copper, and 26,500 ounces of gold. Coal, including anthracite coal, is abundant in Peru although exploitation is still negligible due to deficient transportation facilities. Petroleum constitutes the most important mineral export of Peru. Its exploitation is carried on almost exclusively in the Department of Piura. The average annual output is 1,500,000 tons. The International Petroleum Company, a subsidiary of the Imperial Oil Company of Canada in turn a subsidy of Standard Oil Company of New Jersey, produces eighty percent of all petroleum in Peru.

Historical

Recent Peruvian history revolves about the rise and fall of Augusto Leguia, for eleven years President of Peru, whose last term of office coincided with the boom period ended in 1929, and whose downfall on August 25, 1930, precipitated the disturbed political conditions which obtained in Peru thereafter until the accession to office on May 1, 1933, of the present President, General Oscar R. Benavides.

While campaigning for office in 1908 Leguia was a member of the conservative Civilista Party although he represented the party's progressive wing. The conservative wing was led by Don José Pardo who succeeded Benavides in office and was in turn succeeded by Leguia in 1919. Leguia is generally admitted to have obtained a majority of the votes in that year but fearing that his enemies were planning to prevent his election, he led a revolution against President Pardo, deposed him, called a national assembly to amend the Constitution and was proclaimed President in October, 1919.

Leguia entered office for the second time with a progressive program which included the economic development of Peru by inviting foreign capital to construct railways, port works and roads, and reclamation, sanitation and other public improvements. He projected a new Constitution to safeguard civil liberties, insure freedom of the press, and effect a diminution of the power of the executive, and to bring about decentralization. He also promised greater protection for labor, education for the masses and a land policy looking to the remedying of existing problems created by peonage on the larger states. His projects were incorporated in the new Constitution and in addition a Bureau of Indian Affairs was set up.

During the World War, Peru profited greatly by the high prices of her principal commodities - cotton, copper, petroleum, sugar and guano - and with the exception of the termporary business recessión in 1921 and 1922, Peru enjoyed an era of unexampled prosperity until the depression in 1929 which brought about the downfall of the Leguia regime.

During this period the Government of Peru with high revenues naturally enjoyed ample credit and a boom psychology was prevalent. On the strength of this situation, as well as because of his excessively friendly attitude toward foreign capital and his program of public improvements, Leguia successfully floated loans at home and abroad, the largest of which, known as the Peruvian National Loan, totalled $100,000,000 (of which, however, only $50,000,000 were issued in 1926 and $25,000,000 and £ 2,000,000 in 1928, - the balance was never issued because of the depression). The proceeds of these loans were devoted principally to refunding previous debts and to an ambitious public works program. By 1929 the Government had spent about $65,000,000 on railways, roads, reclamation works, port construction,, et cetera. Of this amount some $18,000,000 were spent on street paving and and sanitation between 1920 and 1929, to give improved facilities to fourteen Peruvian cities. During the same period over $16,000,000 were spent on reclamation projects to increase the area of land under cultivation. Nearly $10,000,000 were spent on roads and bridges. President Leguia encouraged foreign technical experts to assist Peru in his various projects. The Foundation Company, an American concern, was given a contract for $12,000,000 to carry out street paving and drainage works, mostly in Lima and Callao. An American citizen, Mr. Charles W. Sutton, was also engaged to supervise important reclamation projects. An American educational mission headed by

Harry

Harry Erwin Bard, was contracted by the Government, 1919-1921. Four submarines were ordered from the Electric Boat Company another American concern at a total cost of $3,681,000. Leguia engaged a Spanish mission to organize a "Guardia Civil" on the Spanish model to increase public safety in Peru. He also contracted an American naval mission to train the Peruvian Navy. Finally, he engaged the services of Doctor W. W. Cumberland, an American, as Chief of the Customs Service.

While many of these progressive undertakings resulted in modernizing and permanently lifting the level of the country, it has been charged by Leguia's enemies that an excessive amount of money was spent to accomplish such works as were actually constructed; that many of the improvements were not needed or were more expensive and ambitious than the normal economy of the country justified; that graft, bribery and inefficiency characterized the letting of the contracts and the floating of certain of the loans. Most of the municipal improvements were restricted to the capital and the port of Callao, and between 1919-1928, the road mileage built did not exceed five hundred kilometers according to a report of the Ministry of Fomento. It was disclosed during the course of investigations into the flotation of foreign loans, conducted by a Committee of the United States Senate in 1932, that Juan Leguia, the son of the President, had received a commission amounting to $425,000 for his services in connection with the flotation of the Peruvian National loan. During the decade between 1919 and 1929 the national external debt increased from about $10,000,000 to $111,387,000. During the same period the budgetary expenditures of the Government increased from slightly over 5,000,000 pounds Peruvian to twelve and one-half million pounds.

The longer President Leguia remained in power, with the exception of the last year of his incumbency, the better he was able to consolidate his position and the more difficult it became for opposition leaders to curb his expenditures or to oust him. Opposition came from three sources. Discontented and ambitious military leaders, some of whom undoubtedly were inspired by unselfish motives in their desire to overthrow him. "Civilistas" who constituted the nucleus of conservative political opposition to Leguia. They were the remainder of the Pardo group from whom Leguia had split off in 1919. The other opposition comprised the "Apristas" (from APRA-Alianza Popular Revolucionaria Americana) who were the followers of Raul Haya de la Torre, a young Peruvian intellectual who was banished from Peru by Leguia and spent eight years studying abroad in England, Mexico, Russia and the United States. While at that time Haya de la Torre's program had not crystallized beyond a general opposition to further influx of foreign capital into Peru and the development of a stronger continental feeling among the nations of South America, presumably hostile to the United States, (to which President Leguia was known to be exceedingly friendly), the personality of Haya de la Torre and the mounting opposition to Leguia were such that he attracted a wide personal following.

With the beginning of the world crisis in 1929, the volume of Peruvian exports fell and with them public revenues. Opposition elements within the country, more than ever determined to rid themselves of Leguia, utilized this opportunity to lay all of the growing Peruvian ills at the doorstep of Leguia. Although Leguia had achieved a settlement of the long-standing Tacna-Arica dispute with Chile by the Treaty of June, 1929, which was, of course, of enormous benefit to the country, that but increased the hostility of Peruvian die-hards, when it became known that the President had agreed to the retention by Chile of some of the lost national territory, particularly since Leguia had partly justified his own coup d'etat against President Pardo in 1919 on the ground that Pardo had not recovered the lost provinces. Moreover, Leguia, who had himself urged in 1919 that the President should not be eligible for reelection, had not only had himself reelected, but after suppressing the opposition parties, in 1929 forced his election for a third successive term.

At least on August 29, 1930, Lieutenant Colonel Luis M. Sanchez Cerro, a regular army officer of nearly pure Indian extraction, launched the so-called Arequipa Manifesto and headed a revolt of the garrison in that city. Leguia was deposed and imprisoned until shortly before his death in 1931. Sanchez Cerro assumed the presidency in order to "liberalize" the government and abolish the "tyranny" of Leguia.

The most constructive measure undertaken during the Sanchez Cerro regime was

was an invitation extended to Professor Kemmerer of Princeton University at the instance of the Banco Central de Reserva to head a mission to Peru to inquire into the state of Peruvian finances and the banking system and make recommendations for their modernization. On April 17, 1931, the Banco de Reserva del Peru was reorganized and renamed the Banco Central de Reserva. The Bank started to function on September 3, 1931. Peruvian currency was revalorized. The old Peruvian pound of ten soles, with a par value of $4.86 was replaced as the unit of currency by the sol which for a short period from February, 1930, until April of the following year, had a value of 40 cents United States currency. In April of that year it was stabilized at $.28 United States currency which was the average rate prevailing at that time. According to the terms of the Kemmerer proposal, the profits from revalorization amounting to 23,000,000 soles passed to the Government. This took the form of the issuance of stock known as C shares issued to the Government by the bank as a part of the program to increase the Bank's capital to 30,000,000 soles. The Kemmerer Commission also made recommendations, which were adopted by the Government, for a more efficient control and administration of public revenues.

Prices, however, continued to decline. Peruvian revenues fell even more sharply and the new regime did little to alleviate the widespread economic hardship throughout the country. The new Government made no serious effort to economize official expenditures, which, as pointed out above, had more than doubled during the incumbency of Leguia as did also the revenues. Civilian government employees and the members of the armed forces successfully prevented measures of economy in the direction of reduction of salaries. On May 29, 1931, the Government suspended the payment of service on its foreign debt, although service on the internal debt was maintained. The amount previously paid to foreign bondholders, which, after the above mentioned date, was retained by the Peruvian Treasury, momentarily eased the Government's financial stringency.

Although Sanchez Cerro had come into power on a program opposed to tyranny, he became more tyrannical than Leguia and because far more ignorant and less progressive, was more hated than his predecessor. The conservative classes who wanted a Civilista for president disliked him as did the Apristas who favored a regime approaching state socialism.

On March 1, 1931, the resentment against Sanchez Cerro culminated in a military coup which overthrew him and forced his retirement to Europe. Sanchez Cerro's Government was succeeded by three provisional governments. The first two fell quickly. The third consisted of a junta under the presidency of David Samanez Ocampo, a benevolent elderly planter who enjoyed general respect among Peruvians but allowed the policy of the junta to be directed by Colonel Gustavo Jiminez, who had been Minister of the Interior in the Cabinet of Sanchez Cerro. This junta gave a reasonably good administration to Peru and called constitutional elections for the Presidency and for the Constituent Assembly on October 11, 1931.

Resentment against Sanchez Cerro had meanwhile cooled. He returned to Peru and engaged in an active political campaign for the presidency, winning by a comfortable margin over Haya de la Torre, the Aprista leader. Sanchez Cerro's return to the presidency was in part attributable to the popularity which he enjoyed in the Army and among the mestizo and colored elements of the population. He was also supported by the important journal El Comercio and had the backing of the conservative classes who feared the election of Haya de la Torre more than they disliked Sanchez Cerro.

After his constitutional election to the presidency, Sanchez Cerro became more arrogant and tyrannical than ever in his methods. His supporters were charged by the opposition with having been permitted to graft liberally. Freedom of the press was suspended and many members of the opposition were exiled or imprisoned, including Haya de la Torre, who was confined in jail for months without trial, as well as twenty Aprista Congressmen who were illegally expelled from Congress and banished from Peru.

Leticia Incident

In September, 1932, Sanchez Cerro, who had already put down mercilessly several armed uprisings against his authority, utilized the irresponsible invasion by a group of Peruvians of the Colombian border town of Leticia to bolster up his waning popularity. He must be charged with failure to prevent this seizure from becoming a formidable international problem. The

seizure

seizure of Leticia, at first ascribed by the Government to "communist" or Aprista sympathizers, was soon converted by it into a patriotic undertaking in the name of Peruvian irredentism. Sanchez Cerro made large military expenditures, ostensibly with which to defend Leticia, but doubtless in reality also to fortify his own control of the Government at home.

The territory in question comprising what is known as the Leticia quadrilateral had been ceded formally to Colombia by the Salomon-Lozano Treaty of 1922, ratified by both countries. As the incident developed the Peruvian Government attributed, in excuse of its support of the invaders, treason on the part of Leguia in yielding part of the national patrimony to the Colombians in 1922 and nonfulfillment by the Colombian Government of certain provisions of the treaty, one of which was the alleged failure to deliver the Sucumbios triangle to Peru, in accordance with the terms of the treaty.

The United States Government did everything it could to be of assistance to the Peruvian and Colombian Governments in solving the incident peacefully. The Brazilian Government also endeavored to assist the two countries to compose their differences.

Meanwhile, however, the Peruvian Government proceeded to place itself on a strong war-footing. Two appropriations were made for national defense, one for 20,000,000 soles in November, 1932, and another in June, 1933, for 30,000,000 soles. Colombia likewise set about arming herself and war seemed inevitable. Peru at no time denied the validity of the treaty signed in 1922 with Colombia. Colombia offered to discuss all pending differences with Peru as soon as her authority should have been reestablished in Leticia. Both Colombian and Peruvian transports and gun boats proceeded up the Amazon to Leticia. Hostilities took place when Colombian forces dislodged Peruvian irregulars and certain elements of the Peruvian army from Tarapacá in the northern portion of the Leticia territory. A very reasonable proposal for the solution of the problem made by the Brazilian Government, and supported by the United States, intended to save the face of Peru, did not prosper. On January 4, 1933, Colombia communicated a statement of her case to the Council of the League of Nations. The League appointed a committee of three to study the dispute on January 24 and on the following day the Secretary of State at Washington telegraphed a strong note to the Peruvian Foreign Minister reminding Peru of her obligations under Article 2 of the Kellogg-Briand Pact and of the declaration of the American nations of August 3, 1932, (signed by Peru), in which those nations declared with respect to the Chaco war that they "would not recognize the validity of territorial acquisitions which might be obtained by occupation or conquest by force of arms."

On February 17, Colombia appealed to the League of Nations under Article 15 of the Covenant. On February 20 despite advance warning received by the Peruvian authorities, a mob inspired by a jingoistic speech made by President Sanchez Cerro, burned and sacked the Colombian Legation at Lima.

On February 25 the Council of the League of Nations proposed a solution which received the support of the United States Government. Although Colombia accepted the proposal the Peruvian Government made certain reservations. On March 18 a further resolution of the Council was adopted which set up an advisory committee composed of representatives of thirteen states in which the United States and Brazil agreed to participate. The American representative however was instructed to participate but without the right to vote.

Shortly thereafter three events combined to weaken the previously stiff-necked attitude of the Peruvian Government, (1) the capture of Güepi, a Peruvian town by Colombian forces, (2) the assassination of Sanchez Cerro on April 30, 1933 and (3) the friendly collaboration of his more moderate successor, General Benavides with Alfonso Lopez, his personal friend and former diplomatic colleague at London, who was subsequently to become President of Colombia.

On May 25, 1933, the League's plan for the solution of the difficulty was accepted by both governments. The plan provided in brief for the relinquishment of the Leticia territory by Peru to a Commission composed of three members, an American, a Brazilian and a Spaniard, appointed by the League of Nations to administer the Leticia territory for a maximum period of one year and pending the outcome of direct negotiations between the parties for the solution of the basic problem of their relations in the Amazon valley.

After

After the peaceful surrender of the territory to the League Commission, representatives of the Governments of Peru and Colombia met at Rio de Janeiro on October 20, 1933, under the friendly auspices of the Brazilian Foreign Minister, Senhor Mello Franco. The negotiations at Rio de Janeiro dragged on for several months. At last, however, on the 24th of May, 1934, a protocol was signed by both countries confirming Colombia in her possession of the Leticia area and affirming as a fundamental duty of both states the proscription of war and the compulsory diplomatic or juridical settlement of any difficulty arising in the future between them. A territorial statute governing the frontier region was set up, and two joint commissions were brought into being to deal with Amazon problems.

To resume the narrative of events in Peru, - Sanchez Cerro's nationalistic policy abroad had its domestic counterpart in levies upon foreign companies operating in Peru, who were compelled to bear a considerable part of the economic burden assumed by Sanchez Cerro in his warlike preparations against Colombia.

On April 30, 1933, Sanchez Cerro was assassinated in Lima, while returning from a military demonstration. His successor inaugurated a more moderate era for Peru. The constituent assembly immediately met and in accordance with Article 147 of the new Constitution, promulgated within the month by Sanchez Cerro, General Oscar R. Benavides was elected President of the Republic. The Leticia matter was soon in process of settlement. General Benavides was able to turn his attention to the situation at home. The strong censorship of the press, which had been enforced by Sanchez Cerro was relaxed; martial law was repealed; political prisoners, including Haya de la Torre, were set at liberty and exiled Peruvians were permitted to return. Gradually General Benavides eliminated Sanchez Cerro's supporters who for sometime after he assumed office endeavored to direct government policy along channels congenial to the late President.

General Benavides has shown himself an able administrator and has been able thus far to conciliate the various elements in the country. He has been assisted in his efforts by the removal of the war threat and the gradual return of Peru to economic normalcy resulting from an improvement in her foreign trade, an increase in public revenues, and a budget balanced except for debt service.

The position of Haya de la Torre is one of importance for the political future of Peru. Mention of Haya de la Torre has been made previously in this report. He is a young man of dynamic energy and of great popular following, and the only opposition leader of prominence in Peru. After his return from exile in 1930 Haya de la Torre was active in organizing his "APRA" party. He opposed Sanchez Cerro in the presidential elections of October, 1931, and received 106,000 votes to the latter's 155,000. The two other candidates together received less than 50,000 votes. After his release from prison, following the accession of Benavides to the presidency, he again became active politically, and must be figured with as a strong presidential aspirant. His program contemplates the calling of a National Congress to rationalize economic life in Peru. He advocates a strong statistical office as one of the first steps to this end, the taking of a census, and the adoption of measures designed to improve the lot of the Indian and help the small agriculturist. In a recent speech Haya de la Torre stated that he is not opposed to foreign investment in Peru, and that in fact Peru has much to learn from foreign technique, but he desires foreign investments to be very strictly regulated. His program appears to be more moderate than before his period of exile.

Peru's economic position is sounder and better balanced than that of several of her neighbors and gives hope for the future. Her export products include not only minerals in great quantity and variety, but sugar, cotton, hides and wool. Exports have grown from a value of 8,767,000 soles in 1914 to a maximum of 241,133,000 soles in 1930. While the depression has affected Peru's export trade profoundly, the latter has already made a substantial recovery. Even for 1932 and 1933 Peruvian revenues compare favorably with those of the comparatively normal years of 1919 and 1923. The United States sent Peru 40 percent of her total imports in 1931, and 29 percent in 1932. Exports from Peru to the United States in the former year represented 36 percent of Peru's export trade and in the latter year 17 percent

cent

cent. Aside from the depression, the decrease in American consumption of Peruvian goods above indicated is in part ascribable to the import duties on copper and petroleum levied by the United States Congress in 1932. The United Kingdom is now Peru's best customer, taking 36 percent of her exports in 1932 as against 21 percent in 1931. In 1931 imports from the United Kingdom amounted to 12 percent of the total, and in 1932 to 17 percent. Peru's principal imports are manufactured goods, mining machinery, electrical equipment, preserved fruits and vegetables, drugs and medicines.

On December 31, 1931, the total public debt of Peru was estimated at 503,214,464 soles, of which 363,727,628 soles corresponded to the external debt and 139,485,696 soles to the internal debt. Peru defaulted on the service of her foreign debt on May 29, 1931, and has not yet made arrangements with her foreign creditors for a resumption of the service, except on guano bonds in the hands of British bondholders.

Relations with her neighbors

Bolivia

The secret protocol of 1932 referring to the definitive boundary line between Peru and Bolivia in the Titicaca Lake region was ratified by Peru, November 20, 1934.

Colombia

Peru's relations with Colombia have been described in connection with the Leticia incident. They are at present again on a friendly, if not a cordial, basis.

Ecuador

Relations with Ecuador have long been prevented from becoming cordial, owing to the boundary dispute with that country. The boundary of Ecuador and Peru has never been delineated since their independence from Spain, despite numerous efforts to that end. In 1924, the so-called Ponce-Castro Protocol was signed by representatives of the two countries, whereby direct negotiations were to take place looking to an early solution of the problem. It was further provided in the Protocol that, should the countries be unable to agree upon a boundary through direct negotiations, "they are to determine in common agreement the zones that are to be recognized reciprocally by each of the parties and the zone to be submitted to the arbitral decision of the President of the United States". Negotiations under the terms of the Ponce-Castro Protocol were only commenced in April of the present year. They have been proceeding slowly at Lima since then.

Chile

Relations with Chile for many years after the War of the Pacific, as a result of which Peru lost two of her provinces, were very unfriendly. However, with the settlement of the longstanding dispute in 1929, Chilean-Peruvian relations became much more satisfactory, and as a result of the difficulty with Colombia, Peru has made an especial effort to cultivate cordial relations with Chile, signing two treaties on which ratification is pending.

League of Nations

Peru, although an original member of the League of Nations, was not an active one after 1920 when the League evaded the Tacna Arica issue. With the solution of that problem, however, Peru's attitude changed and in 1929 she was elected to a seat on the Council. The League's successful participation in the settlement of the Leticia controversy has greatly enhanced the League's prestige in Peru.

France and Italy

Peru's relations with Europe, with the exception of England, have been

of

of sentimental rather than of economic importance. French culture is much prized in Peru. Cordial relations with Italy have been fostered by certain prominent banking and business families of Italian origin who live in Peru.

Great Britain

Dissatisfaction with the loss of the American market for petroleum and copper and the increasing amount of goods which England takes from Peru have caused a recent increase in friendship toward England. Peruvian business interests are optimistic regarding the gain to be expected from a commercial treaty with the United States, but is strongly in favor of attempting to hold the British market by the conclusion of a commercial agreement with England.

Commercial Pólicy

Peru's commercial policy includes support of the conditional most-favored-nation clause. Peru is inclined to join with Chile in extending regional preferences to Latin American neighbors.

Relation with the United States and Protection of American Interests in Peru

American interests in Peru were calculated on December 21, 1933, at a total of $189,000,000 of which $116,000,000 were direct investments and $73,000,000 in portfolio.

The Government of President Leguia was markedly friendly to the United States. The reaction, however, against President Leguia under his successor, and the disclosures made by the Senate Investigating Committee regarding the commission paid to his son in connection with the Peruvian floating national loan, aroused considerable antagonism in Peru. During the Leticia incident, Peruvian opinion believed the United States hostile to its viewpoint, and tended to be unfriendly. Improvement in economic conditions, however, and approval of the Administration's general Latin American policy have caused a decided improvement in the attitude of the Peruvian Government toward the United States.

The principal negotiations during the Leguia administration related to the large capital investments then being made in Peru by Americans and to the many attempts in which this Government engaged in an endeavor to assist in the peaceful settlement of the Tacna Arica problem.

After the fall of Leguia and the beginning of the depression the succession of revolutionary governments which come into power in Peru entailed many difficulties for American citizens and interests in that country, partly as a result of the disturbed conditions themselves and partly by reason of the economic difficulties which were an immediate cause of the revolutions. With the fall of the Leguia government it became the fashion to look with suspicion upon the activity of many Americans including those who had honestly assisted in building up the country. A prominent American engineer who had built irrigation works in Peru was for many months imprisoned and for an even longer period prevented from having access to his papers and property by reason of false charges of bribery and inefficiency preferred against him after the downfall of Leguia.

Many American investors in Peruvian Government obligations were seriously prejudiced when the moratorium on the foreign debt was declared in May 1931. This Government has taken the position that the matter of foreign securities in default held by American citizens is primarily one of direct negotiation and agreement between bondholders or such organizations or representatives as they may select and the debtors. The administration, however, took the initiative of bringing into existence a disinterested and adequate organization to represent American holders of foreign bonds, -- the Foreign Bondholders Protective Council. Americans concerned were referred to the Council, without responsibility, however, on the part of the Department.

In keeping with its policy of standing ready at any time to assist in the preservation of peace on this continent in collaboration with the other nations concerned, this Government as described above, took a leading part

in

in furtherance of a peaceful solution of the unfortunate Leticia boundary incident between Peru and Colombia, acting on occasion independently; on others in accord with Brazil; and in one instance referring to the collective action of all the nations of Latin America, (the Declaration of the American nations of August 3, 1932).

During the various revolutions, a constant series of protection cases developed involving the safety and property rights of American citizens. One of these related to the right claimed by the Peruvian Government to impress American aviators during time of domestic strife or foreign war. A clause in the contract of one of the important American companies operating in Peru provided that the equipment and personnel of the company might be taken over by the Government in such times of emergency. This Government took the position that no contract could operate in such a way as to deprive this Government of its right to protect its citizens against compulsory impressment as pilots in military operations of a foreign state.

In reply refer to
File No. 811.111 Regulations/1496A

DEPARTMENT OF STATE

WASHINGTON

November 11, 1935.

STRICTLY CONFIDENTIAL

EXAMINATION OF ALIENS WHO MAY HAVE COMMITTED OFFENSES INVOLVING MORAL TURPITUDE.

To

All American Consular Officers

(Except Consular Agents)

Sirs:

The following information is given for your confidential assistance in examining visa applicants who have committed offenses involving moral turpitude.

Non-Immigrants.

In examining a non-immigrant visa applicant who has committed a crime, the Consul should consider whether the crime concerned is one which would render the temporary entry of the alien contrary to the public safety. Aliens whose admission would be contrary to the public safety should not be granted visas. In this connection it may be mentioned, as examples, that the entry of an alien who has committed the crime of murder, arson, or rape, would ordinarily be regarded as contrary to the public safety, while the entry of an alien who has committed, or has been convicted of, or admits, committing one offense of perjury, forgery, or petty larceny, would not necessarily be contrary to the public safety. In any case in which a non-immigrant visa is issued to an alien who has been convicted of, or admits committing, a crime involving moral turpitude which in the Consul's opinion, does not render the alien's entry contrary to the public safety, the alien should be warned that he may be excluded from admission by the immigration authorities upon arrival at a port of entry. The Consul should advise the alien that the immigration authorities may exclude any alien who is subject to exclusion under any of the provisions of the immigration laws, regardless of the alien's classification as an immigrant or as a non-immigrant under the Immigration Act of 1924, as amended.

Immigrants.

Conviction of a crime involving moral turpitude renders an alien inadmissible into the United States under the

moral

811.1

moral turpitude clause in Section 3 of the Immigration Act of 1917, and it is not the duty of the consular officer to go behind a conviction to determine the defendant's purpose or motive in committing the offense. It may be necessary, however, to examine for other reasons a case involving a conviction, for instance, to see whether, if an appeal was taken, the conviction was sustained by a higher tribunal; to see whether the conviction was obtained in a court having proper jurisdiction of the case, or in a court having jurisdiction over the defendant. All cases in which a question has arisen regarding a conviction should be referred to the Department for an advisory opinion.

The imposition of a suspended sentence serves only to relieve the defendant of paying a part or all of the penalty prescribed by law for the offense and does not alter the fact of conviction. An acquittal of a charge of crime, obtained in a court which had no jurisdiction, is not a valid acquittal, and a case of this kind, like that of a conviction obtained in a court which had no jurisdiction, should be referred to the Department for an advisory opinion. There is, of course, a presumption that, when a court has rendered a judgment, it had jurisdiction to do so, and it is therefore ordinarily unnecessary for American consular officers to raise questions of this kind. In a case where such questions have been raised, however, the facts should be reported to the Department for an advisory opinion.

To constitute an "admission" of the commission of a crime involving moral turpitude it is necessary that the alien admit committing acts which form the essential elements of the crime. It is not necessary that the alien admit that he committed the crime by its technical name, such as perjury or forgery; nor is it necessary that the alien admit that the acts which he admits committing constitute the crime, or that he admit that the offense in question involves moral turpitude. An alien who admits, but has not been convicted of, committing acts which appear to constitute the essential elements of a crime, may allege for consideration what he considers to be valid extenuating circumstances, in order that it may be determined, as a matter of law, whether the admitted acts constitute a crime. Such a case should be referred to the Department for an advisory opinion. The question whether any crime is one involving moral turpitude is a legal question to be determined in accordance with the moral standards prevailing in the United States, and a case involving a question whether a crime is one involving moral turpitude may be referred to the Department for an advisory opinion.

The points discussed above are illustrated by the hypothetical case of an alien who admits that he shot and killed some one and that his acts were intentional and not accidental. The consular officer cannot infer from such a statement of facts that the alien admits committing murder. It is not necessary to ask the alien whether he admits committing murder, but, in the absence of a conviction, it is necessary to determine all the circumstances of the case, including the alien's motive or

purpose

purpose in killing the person concerned. If the alien claims that he shot in self-defense he obviously does not admit committing murder, a crime involving moral turpitude, but if, for example, he says that he shot the person in order to obtain the latter's money the situation would be different, and may constitute an admission of acts constituting murder, a crime involving moral turpitude.

Some of the more frequent cases in which consular officers are required to question aliens regarding the commission of crimes involving moral turpitude relate to the offenses of perjury and forgery. In questioning aliens in such cases the consular officer should have in mind the essential elements of each offense. The essential elements of the crime of perjury are usually (1) an oath, (2) duly administered by a competent authority, (3) in a case in which an oath is required by law, (4) and a false statement, (5) regarding a material fact, (6) knowingly or willfully made with intent to deceive. In a case of perjury, the alien may not admit that his false statement was under oath, or he may say that while he knowingly swore falsely, he was advised to do so by some one whose judgment he had a right to respect. The first case falls short of an admission of perjury, because the essential element of an admitted oath is lacking, while the second case constitutes a valid admission of perjury. The fact that an alien was suborned to commit the offense of perjury does not relieve him of responsibility for the crime. In the second case the alien in reality confessed the crime and sought to avoid the consequences by shifting the responsibility to another person. For a further discussion of the elements of perjury see the Department's circular instruction of February 27, 1934, (Diplomatic Serial No. 2403).

The essential elements of the crime of forgery are (1) the false making, signing, materially altering, (2) with intent to deceive or defraud, (3) any instrument in writing which, if genuine and unaltered, might apparently be of legal efficacy or the foundation of a legal liability. The uttering of a forged document is also considered to be a crime involving moral turpitude, and consists in knowingly or willfully offering a forged instrument, whether such offer is accepted or not, with a representation by words or actions that it is genuine, and with an intent to defraud.

In connection with the cases of aliens who have committed the crime of uttering a forged instrument, one of the most essential elements an alien must admit is that of guilty knowledge of the spurious character of the instrument concerned. An alien does not admit committing the crime of uttering a forged instrument if he merely admits that he used or attempted to use a counterfeit or an altered passport, immigration visa, birth, baptismal or police certificate. He must admit that his knowledge of the spurious character of the document existed at the time he used, or attempted to use, the document. If the alien used, or attempted to use, an altered or counterfeit document believing it to be genuine, and unaltered, he is not guilty of uttering a forgery even if he should

admit

admit that he subsequently learned that he used a fraudulent document. The guilty knowledge of the document's spurious character must admittedly be co-existent with the wrongful act of using, or attempting to use it, in order to constitute the crime. In other words the alien must admit that at the time he uttered, or attempted to utter, a forged, counterfeit, or altered document, he knew he was uttering, or attempting to utter a document of this character.

It is essential that consular officers develop the admissions of aliens in the cases of forgery to a point where there is no reasonable doubt that the alien committed the crime when the alien's admission is considered alone and independently of any other evidence in the case.

Very truly yours,

For the Secretary of State:

WILBUR J. CARR

Index under:

Examination of Aliens who may have Committed Offences Involving Moral Turpitude.

Visas; Examination of applicants for who have committed a crime.

Consulate File No. 811.11

F.

HAUT-COMMISSARIAT
DE LA
RÉPUBLIQUE FRANÇAISE
EN SYRIE ET AU LIBAN

SURETÉ GÉNÉRALE

215

Beyrouth, le 12 janvier 1935

LE DIRECTEUR DE LA SURETÉ GÉNÉRALE,
INSPECTEUR GÉNÉRAL DES POLICES.

à Monsieur le Consul Général
d'Amérique

à BEYROUTH

Objet : Lévon Berderian

Ack'd 1/12/35

Monsieur le Consul Général,

En réponse au mémorandum que vous m'avez transmis au sujet du nommé Levon BERBERIAN, j'ai l'honneur de vous faire connaître que l'intéressé est un sujet turc, qui se dit né en 1900 à Kanaker (Caucase). Il serait en réalité originaire de Stamboul.

Il est arrivé à Beyrouth le 7 Décembre 1933, venant de New-York, via Marseille. Il a quitté la Syrie il y a sept mois environ pour se rendre à Bagdad et à Téhéran.

Durant son séjour dans les T.S.M.F. il n'a été impliqué dans aucune affaire de stupéfiants ou de fausse monnaie. Il n'y a pas, toutefois, laissé une bonne réputation. D'un caractere audacieux, voyageant beaucoup, parlant huit langues, il est considéré comme un aventurier, capable de tremper dans toutes sortes d'affaires.

Il m'a été rapporté qu'il aurait commis des escroqueries à New-York, dont l'une assez importante au

.../....

HAUT-COMMISSARIAT
DE LA
RÉPUBLIQUE FRANÇAISE
EN SYRIE ET AU LIBAN

préjudice d'une dame américaine. Mais il n'a pas été possible d'obtenir des précisions à ce sujet./.

Veuillez agréer, Monsieur le Consul, lès assurances de ma haute considération.

Mr. Steger:

This morning, I have called on M. Périsset, Assistant-Chief of the Sûreté Générale, and explained to him the whole case about Levon Berberian. He seemed to be exceedingly interested in the case and promised to inform this Office of this individual's whereabouts within a week . I left an unofficial memorandum with him and he thanked this Office to have brought this matter up to him.

December 6, 1934
MJ

811.4
CTS:NT

CONSULAT GENERAL D'AMERIQUE

BEYROUTH, SYRIE Le 12 Janvier 1935.

Monsieur le Directeur
de la Sûreté Générale,
Beyrouth.

Monsieur le Directeur,

Je vous remercie vivement de votre note No. 215 du 12 Janvier 1935 par laquelle vous avez bien voulu me communiquer les renseignements que vous avez pu obtenir sur un nommé Lévon Berberian. Puis-je encore vous demander, si cet individu revenait en Syrie, d'avoir l'obligeance de me faire informer de son arrivée et de me dire, si possible, le lieu de sa destination dans le cas où il viendrait à quitter le pays?

En vous réitérant mes remerciements, je vous prie d'agréer, Monsieur le Directeur, l'assurance de ma considération la plus distinguée.

Christian T. Steger,
Consul d'Amérique.

A true copy of the signed original

AMERICAN CONSULATE GENERAL

BEIRUT, SYRIA January 15, 1935.

Raymond A. Hare, Esquire,
American Consul,
Teheran, Persia.

Sir:

There is transmitted herewith a copy of the Department's instruction of November 12, 1934, with regard to 1/ the activities of a certain Levon Berberian, together with a copy of my despatch No. 821 of even date in reply 2/ thereto. In view of the fact that the person in question is said to have left Syria for Baghdad and Teheran, it is believed that you will desire to make inquiries from the local authorities of your district and to report to the Department any information elicited.

The statement of Mrs. Caroline B. Osgood, which was an enclosure to the letter of October 30th, addressed to the Secretary of the Treasury, is long and somewhat rambling, and therefore is not being transcribed. The purport of the statement is to the effect that Berberian has involved the son of Mrs. Osgood in the making of counterfeit Persian money, which was to be smuggled into the Near East and there disposed of. With the proceeds Berberian was to purchase local products and narcotic drugs for shipment to the Ararat Importing Company, 16th Street, New York City.

Should you obtain information as to Berberian's movements, I should appreciate receiving copies of any reports made to the Department on the subject.

Very respectfully yours,

A true copy of the signed original

Christian T. Steger,
American Consul.

Enclosures:
1. Instruction dated November 12, 1934, with 2 enclosures.
2. Despatch No. 821 dated January 15, 1935.

8118

811.4
CTS:HT

AMERICAN CONSULATE GENERAL

BEIRUT, SYRIA January 15, 1935.

The Honorable
Paul Knabenshue,
American Minister Resident
and Consul General,
Baghdad, Iraq.

Sir:

There is transmitted herewith a copy of the Depart-
1/ ment's instruction of November 12, 1934, with regard to
the activities of a certain Levon Berberian, together
2/ with a copy of my despatch No. 821 of even date in reply
thereto. In view of the fact that the person in question is said to have left Syria for Baghdad and Teheran, it is believed that you will desire to make inquiries from the local authorities of your district and to report to the Department any information elicited.

The statement of Mrs. Caroline B. Osgood, which was an enclosure to the letter of October 30th, addressed to the Secretary of the Treasury, is long and somewhat rambling, and therefore is not being transcribed. The purport of the statement is to the effect that Berberian has involved the son of Mrs. Osgood in the making of counterfeit Persian money, which was to be smuggled into the Near East and there disposed of. With the proceeds Berberian was to purchase local products and narcotic drugs for shipment to the Ararat Importing Company, 16th Street, New York City.

Should you obtain information as to Berberian's movements, I should appreciate receiving copies of any reports made to the Department on the subject.

Very respectfully yours,

A true copy of the signed original HT

Christian T. Steger,
American Consul.

Enclosures:
1. Instruction dated November 12, 1934, with 2 enclosures.
2. Despatch No. 821 dated January 15, 1935.

(CORRECT COPY: HT)

DEPARTMENT OF STATE
WASHINGTON

November 12, 1934

CONFIDENTIAL -- STAFF USE ONLY

To the American Consul General,
Beirut, Syria.

The Secretary of State encloses herewith, for the information of the American Consulate General, a copy of a letter, dated October 30, 1934, from the Department of Labor, together with copies of certain enclosures, in regard to Levon Berbeiran (Berberian), who, it is alleged, is engaged in the illicit traffic in narcotic drugs and in the counterfeiting of Persian money. Berberian is the holder of re-entry permit No. 941675, issued by the Department of Labor on October 21, 1933, and which has been extended to April 21, 1935. The alien's application for the extension of his permit to re-enter the United States was sworn to before the Vice Consul at Teheran on September 15, 1934 (Service No. 199).

The Department will appreciate receiving any information which the Consulate General may be able to furnish concerning Levon Berberian, with particular attention to his possible connection with the illicit traffic in narcotic drugs and his activities in connection with counterfeit money.

In the event any information is obtained in regard to Berberian's return to the United States, particularly with reference to his ship, port and date of arrival in the United States, the Department should be informed by telegraph, the cost to be charged to the Bureau of Narcotics, Treasury Department, in accordance with the Department's circular instruction dated September 22, 1931.

Enclosure:

From Labor, October 30,
1934, with certain enclosures.

811.114 N 16/2231

(CORRECT COPY: HT)

COPY:EMF

U. S DEPARTMENT OF LABOR

Immigration and Naturalization Service

WASHINGTON

October 30, 1934.

The Honorable
The Secretary of State,
Washington, D. C.

My dear Mr. Secretary:

I have the honor to transmit herewith copy of letter addressed to the Secretary of the Treasury under even date, together with the enclosures mentioned, concerning the alleged counterfeiting of Persian money and the smuggling of dope into the United States by Levon Berbeiran (or Berberian) and Dr. Franklin H. Gordon.

The enclosures are self-explanatory and are forwarded for such action as may be deemed appropriate in advising the proper foreign authorities. The letter of September 15, 1934, from Berberian was sent from the American Consulate at Teheran, Persia.

It is assumed that this matter will be taken up further with your Department by the Secretary of the Treasury.

Respectfully,

(Sgd.) EDW. J. SHAUGHNESSY,
Deputy Commissioner.

Encl.
No. 35574

(CORRECT COPY: HT)

COPY:EMF

P-944948

October 30, 1934.

The Honorable
The Secretary of the Treasury,
Washington, D. C.

My dear Mr. Secretary:

I have the honor to transmit herewith for your information and such action as you may deem appropriate copy of a statement made before a representative of this Service at Milford, Maine, by Mrs. Caroline B. Osgood, on October 18, 1934, concerning the alleged counterfeiting of Persian money and the smuggling of dope into the United States by one Levon Berbeiran (or Berberian) and Dr. Franklin H. Gordon.

The records of this Service show that one Levon Berberian, born at Kanaker, Russian-Armenia, February 24, 1900, arrived in the United States at New York, December 22, 1932, ex SS Europa and was admitted for permanent residence. He filed declaration of intention in the U. S. District Court, New York, N. Y., on May 9, 1933. Under date of October 14, 1933, he filed an application for a permit to reenter the United States. The permit was issued October 21, 1933, and has been extended to April 21, 1935.

Photostatic copies of the application for reentry permit, positive photograph of the applicant, letter dated November 6, 1933, in New York, and letter dated September 15, 1934, mailed from Teheran, Persia, are enclosed for your use. You will note in the application for permit his address was given as 31 Bennett Avenue, New York, N. Y.; nature of business or employment "oriental rugs, sausage casings"; name of employer "Ararat Importing Co. Inc." He stated that he intended to visit Syria, Iraq and Persia on business to buy goods. In his letter of November 6, 1933, the name of his employer was changed to Early & Moor, Inc., 139 Blackstone Street, Boston, Mass.

Steps

Steps are being taken to have lookout notices posted for the return of Berberian to the United States in order that he may be questioned as to his right to admission.

Copy of this communication and the enclosures mentioned herein are being transmitted to the Department of State for the information of that Department and such action as may be appropriate.

It would be appreciated if this Service would be advised of the action taken in this matter.

Respectfully,

EDW. J. SHAUGHNESSY,
Deputy Commissioner.

Encl.
No. 35573

NO. 821

AMERICAN CONSULATE GENERAL,

BEIRUT, SYRIA January 15, 1935.

SUBJECT: Activities of Levon Berberian.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to the Department's memorandum instruction of November 12, 1934 (File No. 811.114 N 16/2231), requesting information with regard to the present whereabouts of Levon Berberian, his possible connection with illicit traffic in narcotic drugs, and his activities in connection with counterfeit money.

A request for information was made of the official in charge of the Sûreté Générale, who, after careful investigation, informs me as follows:

Levon Berberian is a Turkish citizen who cliams to have been born at Kanaker, Caucasus, in 1900; other information received indicates that he was actually born in Istanbul.

He arrived at Beyrouth, coming from New York via Marseille, on December 7, 1933. He left Syria about seven months ago, bound for Baghdad and Teheran.

During

During his stay in the territory under French Mandate, there is no indication that he was engaged in traffic in narcotic drugs or was connected with counterfeiting. However, he did not leave a good reputation. Of an impetuous nature, traveling a great deal, and speaking eight languages, he is considered to be an adventurer, capable of being mixed in any kind of dubious affair.

The Sûreté has information to the effect that he has carried out various swindles in the United States, but no definite information on the subject is available.

I have been assured that, if and when Berberian returns to this country, the Consulate General will be informed of his movements; and in this event the information received will be promptly transmitted to the Department.

A résumé of the information contained in the Department's instruction of reference is being transmitted to the consular offices at Baghdad and Teheran.

Respectfully yours,

Christian T. Steger,
American Consul.

811.4
CTS:HT

A true copy of the signed original

54

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D.C.

DEPARTMENT OF STATE
WASHINGTON

March 6, 1935

CONFIDENTIAL -- STAFF USE ONLY

AMERICAN CONSULATE GENERAL
MAR 2? 1935
BEIRUT, SYRIA

To the American Consul in Charge,

Beirut, Syria.

The Secretary of State refers to despatch No. 821, dated January 15, 1935, from the American Consulate General at Beirut, in regard to Levon Berbeiran (Berberian) and encloses herewith, for the confidential information of the Consulate General, a copy of a report of an investigation conducted in the United States in regard to the activities of Berberian, who, it was alleged, is engaged in the illicit traffic in narcotic drugs and in the counterfeiting of Persian money.

Enclosure:

Report, January 15, 1935.

811.114 N 16/2245

811.4 Berberian, Leon

Department of State

BUREAU
DIVISION } FE

ENCLOSURE

TO

Letter drafted

ADDRESSED TO

Beirut

U. S. GOVERNMENT PRINTING OFFICE: 1931 1—1038

(Copy) CONFIDENTIAL

T R E A S U R Y   D E P A R T M E N T

BUREAU OF CUSTOMS

New York, N. Y.,
January 22, 1935.

Commissioner of Customs,
(Investigative Unit),
Treasury Department,
Washington, D. C.

Sir:

Reference is made to your letter dated November 7, 1934, inclosing your file No. 9-6/3, regarding the alleged counterfeiting of Persian money and the smuggling of narcotics into the United States by one Levon Berberian and Dr. Franklyn H. Gordon.

In this connection you are advised that the undersigned requested the Supervising Customs Agent at Boston to interview some member of the firm of Early & Moore Inc., at that place to ascertain the present whereabouts, of Berberian and his status with that concern, and also to interview Mr. A. B. Selian regarding his former association with Berberian, Mrs. Osgood, etc.

The Supervising Customs Agent at Boston has advised this office that Mr. Elliott W. Hayes, Vice-President of the firm of Early & Moore, a reputable firm engaged in the manufacture of sausage casings, was interviewed by Inspector Philip P. McWeeney. Mr. Hayes stated that Levon Berberian first came to the United States in 1929 as an agent for a man named Serovpe Gulbenkian, who had business dealings with the firm of Early & Moore, and that Berberian was to handle the selling end of Gulbenkian's products, which consisted of nuts, Oriental rugs, casings, etc. He stated that in the course of this business Berberian personally contacted Early & Moore in Boston. Mr. Hayes stated that Berberian's agreement with Gulbenkian expired in 1933 and that he then contracted to become an employee of the firm of Early & Moore and was to act as their representative and buyer in France, Syria and Persia. At the present time Berberian is located in Meched, Persia, working out of the Teheran office of M. N. Nazaretian & Co., who also represent Early & Moore Inc. At the present time he is supervising the season's production at that place and will stay indefinitely in Persia, where he expects to become the resident agent in that country. Mr. Hayes stated that Berberian's work has been entirely satisfactory to his firm and it is not their intention to bring Berberian to this country at any time in the near future. Mr. Hayes stated that in the event that it will be necessary for Berberian to return to the United States, he will advise the Customs agents in order that he might be interrogated by them.

Mr. Hayes stated that he did not know Mrs. Osgood. The only information he had with regard to Berberian's associations with Mrs. Osgood and Mr. A. B. Selian was gathered through conversation with Berberian. It was the opinion of Mr. Hayes that Mrs. Osgood first became acquainted with Dr. Gordon in Maine and later Mrs. Osgood came to Boston and met Mr. Selian. At that time Mrs. Osgood had considerable funds and Messrs. Gordon and Selian became interested in separating her from some of her money and to this end they organized the Ararat Import Company at New York. Berberian then came into the picture and all of them, including Mrs. Osgood, talked about counterfeiting Persian money for purchase abroad and the possible smuggling of same into this country to evade Customs duties, etc. It was also the opinion of Mr. Hayes that Berberian, believing that Gordon and Selian intended to deprive Mrs. Osgood of her capital, sold all of them the idea of giving him the amount involved, approximately $10,000, as a loan, a quantity of Oriental rugs that Berberian had in a warehouse being put up by him as collateral. It was also the opinion of Mr. Hayes that Berberian left the United States with some of the money and that Mrs. Osgood was only interested in when he would return to this country.

Mr. A. B. Selian, of 53 Beaumont St., Dorchester, Boston, Mass., was later interviewed by Inspector McWeeney and he stated that he was introduced to Dr. Gordon by a Mr. E. Perry Johnson, Treasurer of the International Commerce Corp., of Boston, sometime during the early part of 1933. Believing that Johnson had business dealings with the Amtorg Company, Dr. Gordon attempted to interest Johnson in a scheme whereby the Soviet Government would operate silver fox farms and in return sheep casings would be sent to the United States in lieu of cash. Mr. Selian was to handle the casings upon arrival in the United States, but this plan never materialized. Gordon, however, kept in touch with Selian and in April, 1933, Gordon introduced him to Mrs. Osgood, advising Selian that Mrs. Osgood had inherited approximately $300,000 from the estate of her husband, who had been in the lumber business, and that Mrs. Osgood might be willing to invest some of her capital in the casing business if a suitable proposition could be presented to her. In pursuance with this arrangement, the parties concerned formed a corporation known as the Ararat Import Company, Inc., of New York, and opened headquarters in Long Island City. The papers for the corporation were drawn by an attorney named Bernard Wilson, 285 Madison Av., New York City. Mr. Selian was the president of the concern, Edwin Osgood, a son of Mrs. Osgood, was the treasurer, and Dr. Franklyn H. Gordon was the secretary. Edwin Osgood, acting for his mother, loaned $6500 to the corporation to buy casings. Selian and Gordon, however, contributed nothing in the way of funds, but did conduct the business dealings, purchasing casings in New York from dealers, but doing no import business themselves.

Through his acquaintance with the firm of Early & Moore Inc., Selian met Levon Berberian and introduced him to Gordon and Osgood. Berberian sold himself to Mrs. Osgood and proceeded to undermine Selian, Berberian becoming general manager of the enterprise and a director of

the Ararat Import Company, in the course of which he sold casings, etc., which had been purchased by Selian for the corporation at cost price, in order to prove to Mrs. Osgood that Selian was an incompetent employee. Selian stated that in 1933 he became ill and returned to Boston and was eventually ousted from the management of the Ararat firm. He stated that Gordon through check manipulation obtained $1000 from Mrs. Osgood as his share of the scheme and that Levon Berberian received a loan of $8000 from Mrs. Osgood, giving as collateral eight Oriental rugs which Berberian's sister later attached as her personal property, alleging that Levon Berberian had no title to the rugs in question. These rugs, according to Selian, were not worth one-tenth of the money loaned on them.

Mr. Selian claimed that he took no part in the proceedings described above and that while he had been informed by Mrs. Osgood that Berberian and Gordon had talked of counterfeiting Persian money for the purpose of buying casings, rugs, etc., abroad, and that the casings, being free of duty, could be utilized as a method by which other merchandise could be smuggled into the United States. He was of the opinion that no smuggling of narcotics or other contraband was actually contemplated by Gordon or Berberian and that Berberian employed such methods in order to interest Edwin Osgood, in the profit sharing and used this scheme in order to keep young Osgood silent after Berberian had decamped with Mrs. Osgood's money.

Mr. Selian stated that he has received several communications from Mrs. Osgood, informing him that she now realizes that she was duped by Gordon and Berberian and was anxious to contact Berberian if he returns to this country, so that she may make an effort to recover the money loaned to him. Mr. Selian, however, is of the opinion that Berberian will not return to this country for some time.

A search of the records of the Collector of Customs at this port indicated that only one barrel of sheep casings was imported by the Ararat Import Company. This barrel of casings was covered by Free Entry No. 357786 and was shipped to the Ararat Import Company by one Nazar Keverian on the S. S. EXCAMBIAN from Bayreuth on May 31, 1933. George A. Henshaw & Son, Customs Brokers at this port, who handled this entry for the Ararat Import Company, have informed the undersigned that no other casings had been imported into this country by this concern, and that they had made one other entry for Levon Berberian which consisted of some Oriental rugs for Berberian's personal use.

Dr. Franklyn H. Gordon was interrogated by Customs Agent J. J. Mullen and the undersigned and he stated that he had known Mrs. Osgood for a long period of years and has always had a personal interest in her welfare. Through a Mr. Selian of Boston, Mass., he became interested in the sausage casing business and after careful consideration he became convinced that with the proper supervision a large amount of money could be made in this business. Dr. Gordon stated that he and Mr. Selian interested Mrs. Osgood, and the Ararat Import Company was formed. Dr. Gordon stated that Selian was known as a good casing man

and he was to handle the sorting and classifying of all of the casings which were purchased by them. In return for his services Dr. Gordon was to be furnished with his living expenses until such time as the Ararat Company showed a reasonable profit, when he would participate as a member of the concern.

Dr. Gordon stated that Mr. Selian became ill and returned to Boston, and that Mr. Berberian then became one of the members of this concern. Berberian represented to them that at that time he was tied up as agent for some concern in Persia, but that upon the termination of his contract with that concern he would devote his entire efforts to the casing business of the Ararat Import Company. During the time that they were in business in this city no importations were made, but several lots of casings were purchased from local dealers and these lots were disposed of by Berberian at pracitcally cost price. Edwin Osgood was the treasurer of the concern and all disbursements had to be made by him. Dr. Gordon stated that he has known young Osgood since he was a child and that he has always been a person who could be easily led and that he had been in trouble several times in Maine. Dr. Gordon stated that he first became aware of the fact that Berberian had interested young Osgood in a scheme to counterfeit Persian money and to smuggle merchandise and narcotics into this country concealed in sheep casings, in April or May, 1933. His suspicions were arounsed by the actions and inquiries of young Osgood, and after he (Dr. Gordon) had questioned the young man as to his activities with Berberian, Osgood informed Dr. Gordon as to what he and Berberian were planning to do. A few days later young Osgood left New York City for Detroit by automobile, intending to stop off at the World's Fair in Chicago for a few days. Dr. Gordon knew that Osgood had several samples of sausage casing with him and after Osgood arrived in Detroit Dr. Gordon states that he was informed by Berberian that Osgood also had samples of Persian money with him, and that he, Osgood, was going to make inquiries in Detroit to ascertain whether or not the money could be counterfeited. Dr. Gordon states that he immediately sent young Osgood a wire and asked him to return the samples to him in New York and to return to this city as soon as possible. Dr. Gordon states that at this time he had been informed that there was an official representative of the Persian government in this country and that this government representative was going to smuggle the counterfeit money from this country into Persia concealed in the upholstery of an automobile which he was to bring back to Persia with him. Inasmuch as the business prospects of the Ararat Import Co., were so good at that time, Dr. Gordon decided that instead of disclosing the schemes of Berberian and young Osgood to Mrs. Osgood, he would try to stall Berberian and young Osgood along until this Persian government representative had left the country. To this end Dr. Gordon states that he met a man named Fred Weyand, who operates a detective agency at Portland, Maine, and that after consulting with Weyand it was decided by Dr. Gordon to introduce Weyand to young Osgood and to have Weyand pose as a counterfeiter.

Subsequently, Dr. Gordon, Fred Weyand and young Osgood met at the Pennsylvania Hotel and Dr. Gordon introduced Weyand to young Osgood as a man named "Jim" who was a counterfeiter. Dr. Gordon stated that they agreed on a price of $20,000 to print a half million dollars' worth of Persian currency. He further stated that he paid the expenses of Fred Weyand from Portland, Maine, to New York for the purpose of this introduction.

Dr. Gordon states that previous to this young Osgood had made some inquiries from a printer in Maine as to whether or not the Persian money in question could be counterfeited, and that this inquiry further alarmed Dr. Gordon, as he knew that young Osgood would certainly get himself into trouble by going about making such open inquiries on a scheme of this kind. He then decided to inform Mrs. Osgood as to the actions of her son and Berberian and did so after the alleged Persian government representative had left this country.

Dr. Gordon showed Agent Mullen and the undersigned the ledger of accounts, the journal and the check books of the Ararat Import Company, and from the stubs and the check book it appears to the undersigned that young Osgood received most of the money which had been invested by his mother, Mrs. Osgood.

Mr. Fred Weyand was interviewed by Customs Agent Gillis at Portland, Maine, and he stated that he had met Dr. Gordon while he was in New York on his own personal business and that he had never at any time come to New York at the request of Dr. Gordon. Weyand states that at that time Dr. Gordon advised him as to the contemplated counterfeiting scheme by Osgood, and that he had advised Dr. Gordon not to have anything to do with transactions of that kind; further, that during his conversation with Dr. Gordon relative to the counterfeiting scheme there was another man present, but inasmuch as Dr. Gordon had not introduced him, he does not know the identity of this man.

Weyand stated that from his conversation with Dr. Gordon and young Osgood it was his opinion that Osgood was the brains of this counterfeiting proposition.

Mr. Weyand stated that he had never met Levon Berberian or Mr. Selian, nor had he had their names mentioned while in New York or elsewhere.

In view of the above it is the opinion of the undersigned that Dr. Gordon and Levon Berberian had entered into a scheme to swindle Mrs. Osgood out of some of her inheritance and to this end involved her son, Edwin Osgood, in a scheme to counterfeit Persian currency and smuggle narcotics into the United States, for the purpose of putting him in a position where he would be unable to complain to the proper authorities

after the swindle had been perpetrated.

It is also the opinion of the undersigned that neither Berberian or Dr. Gordon had any intentions of actually counterfeiting or smuggling and that at no time was any Persian money counterfeited in this country nor any narcotics smuggled in by any of the parties concerned.

The Bureau's file is returned herewith.

Respectfully,

(Signed) G. L. Collins

G. L. COLLINS,
Customs Agent.

Respectfully forwarded,
APPROVED:

(Signed) G. W. O'Keefe

G. W. O'KEEFE,
Supervising Customs Agent.

Inclosure: Bureau file returned.

5r

LEGATION OF THE
UNITED STATES OF AMERICA

Baghdad, Iraq, May 1, 1935.

AMERICAN CONSULATE GENERAL
MAY 8 1935
BEIRUT, SYRIA

Christian T. Stegar, Esquire,
American Consul,
American Consulate General,
Beirut, Syria.

811.4

Sir:

Reference is made to your letter of January 15, 1935 on the subject of a certain Levon Berberian. There is enclosed a copy of a letter which has just been received from the Director General of Police on this subject. There is likewise enclosed a copy of this office's reply.

It may be added that a member of the staff of this Consulate General who was on vacation in Teheran saw Berberian on several occasions; this was during the months of August and September, 1934. The impression given by Berberian was that he was in the casing business.

A copy of this letter and its enclosures is being sent to the Consulate at Teheran for its information.

Very respectfully yours,

P. Knabenshue

P. Knabenshue,
Minister Resident
and Consul General.

Enclosures:
Copy of letter received from
Iraqi Director General of Police,

Copy of this office's reply.

File No. 811.4
SGS/jnc.

- COPY -

PERSONAL AND CONFIDENTIAL.

MINISTRY OF INTERIOR

DIRECTORATE-GENERAL OF POLICE

CRIMINAL INVESTIGATION DEPARTMENT.

21st Muharram 1354.

No. S.B. 2035

Baghdad, 25th April 1935.
27th

Dear Mr. Knabenshue,

Subject: Levon BERBEIRAN (BERBERIAN).

With reference to your letter of the 21st January 1935 regarding the above mentioned individual, so far his present actual whereabouts are not known but it is believed that he is still in Iraq as a man of this name and nationality passed through Iraq from Syria on the 11th April 1934 and does not appear to have returned. Enquiries are still being made and a further communication will be made in due course. In the meantime it would be of great advantage if you could supply me with a copy of his photograph if available.

Yours sincerely,

Sabih Najib.

P. Knabenshue, Esq.,
Envoy Extraordinary and Minister Plenipotentiary
For the United States of America,
Baghdad.

A true copy of the signed original.

Baghdad, Iraq, May 1, 1935.

Personal and Confidential

Sabih Beg Najib,
Director General of Police,
Baghdad.

Dear Sabih Beg:

Thank you for the information regarding the movements of Levon Berbeiran (Berberian), furnished in your letter of April 25, 1935. I regret that we do not have a copy of this man's photograph.

Any further information that you may have occasion to communicate will be received with appreciation.

Respectfully yours,

File No. 811.4
SGS/jno.

American Consulate

Teheran, Iran May 21, 1935

AMERICAN CONSULATE GENERAL

St ✓ Far ✓ Gen ✓ Gen ✓ P.K. ✓

Confidential

Activities of Levon Berberian.

811.4

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

Sir:

I have the honor to refer to the Department's instruction of November 12, 1934, file No.811.114 N/16-2231, by which this office was directed to report any information obtained concerning the proposed return to the United States of Levon Berberian, an alien suspected of being engaged in the illicit traffic in narcotic drugs and in the counterfeiting of Persian money.

Levon Berberian called at the Consulate this morning for the purpose of applying for an extension of Re-entry Permit No.941675, issued by the Department of Labor to him on October 21, 1933 and extended in validity to April 21,1935. Inasmuch as the validity of Mr.Berberian's Re-entry Permit had expired, he was informed that this office would consider his application for a nonquota immigration visa as an alien returning from a temporary visit abroad. Mr.Berberian said that he would apply for a visa in the early autumn.

Although nothing disparaging to Mr.Berberian's character is known locally, it will be appreciated if the Department will indicate, in view of his alleged illicit activities

in

the United States, any action it desires taken when he applies for a visa.

Respectfully yours,

Burton Y. Berry,
American Vice Consul

811.4
BYB/byb

A true copy of the signed original.
BYB

Extra Copy

VOLUNTARY REPORT

TOBACCO MONOPOLY ESTABLISHED IN SYRIA.

*

From Consul
Christian T. Steger,
American Consulate General,
Beirut, Syria.

Date of Completion: February 7, 1935.

Date of Mailing: February 12, 1935.

(TOBACCO MONOPOLY ESTABLISHED IN SYRIA, from the American Consulate General at Beirut, Syria, dated February 7, 1935.)

Arrêté No. 16/LR, issued by the French High Commissioner under date of January 30, 1935, provides for the establishment of a monopoly, effective March 1, 1935, on the purchase, manufacture and sale of tobacco and tobacco products, and of all products which might be substituted for tobacco, in the Levant States under French Mandate.

Annexed to the Arrêté above-mentioned, which forms the basic law on the subject, is a set of specifications providing in detail for the award of the concession, and for the conduct of the monopoly.

The text of these documents is not enclosed, since it is available only at a cost which is not believed to be justified by its importance. Nor has a translation been made, inasmuch as the text is very extensive, consisting of 46 printed pages, and contains many duplications, as well as numerous details of little interest. However, the following pages form a résumé of all important provisions of the law and of the specifications.

(TOBACCO MONOPOLY ESTABLISHED IN SYRIA, from the American Consulate General at Beirut, Syria, dated February 7, 1935.)

I. PROVISIONS OF BASIC LAW PROVIDING FOR TOBACCO MONOPOLY

Supervision

A Permanent Commission for the supervision of the conduct of the Monopoly is to be formed, consisting of the heads of the Department of Finances of each State having budgetary autonomy, and of the Financial Adviser of the French High Commission, who will be the Chairman. The French Financial Advisers of each State will attend all meetings of the Commission. A Commissioner representing the interests of the States, appointed by the French High Commissioner and placed under the authority of the Financial Adviser, will supervise the operation of the Monopoly.

All conflicts or differences arising between the concessionaire and the States, or between the concessionaire and the Permanent Commission, will be decided by the French High Commissioner, with the advice of the Permanent Commission.

Production

Each year before July 20th the concessionaire is required to inform the Permanent Commission as to the area to be devoted to the cultivation of each quality of tobacco or tombac, in order to supply the demand for the coming year. Prior to July 31st, the Commission shall allocate to each State its proportional share of the total area to be cultivated for domestic use; at the

same

same time the Commission shall assign to each State areas to be cultivated.

Not later than October 15th, the highest administrative authorities of each autonomous Government shall distribute by villages the area allocated by the Commission for cultivation. Assignment of areas to individual planters is made on the basis of applications forwarded through the village Mukhtars and provincial officials; this final authorization to individuals is to be made not later than January 15th. The management of the Monopoly may give instructions in advance as to the quality of tobacco desired in each instance, and as to the methods of cultivation to be employed. Seeds must be obtained through the Monopoly, which is required to furnish them at the lowest possible prices.

Wide and detailed powers are granted to the concessionary society to control, through its agents, the planting, cultivation, and harvesting of tobacco, in order to ensure that no production is carried on without due authorization, and that the total crop is delivered to the concessionaire.

Sale, Storage, and Exportation

All tobacco produced must be delivered to the nearest agency of the Monopoly, where it is weighed, and a receipt given to the producer. Within five days at the latest an examination must be made to determine the quality and to fix the price. If the price fixed is not acceptable to the planter, he

may

may demand an investigation by a committee composed of one representative of the Monopoly, one person representing himself, and a representative of the Finance Department. Payment for all deliveries must be made within fifteen days. Tobacco adjudged unsuitable for use is to be destroyed by the Monopoly agents.

Prices for each quality and variety are fixed by the Permanent Commission annually prior to December 31st, and proclaimed by the French High Commissioner.

Production for export may be carried on freely, in excess of the quota decided upon for domestic use; however, in order to prevent it from coming upon the domestic market, such production also is controlled. Tobacco destined for export must be delivered for storage to a warehouse of the Monopoly, where it may be transferred by endorsement of the warehouse receipt to the ownership of a licensed dealer. Tobacco may be left in storage up to five years; during the first six months there is no charge for storage. Stocks of dealers licensed for export business must also be left in the Monopoly storehouses until exported.

Sale of Tobacco Products

Tobacco products may be sold only by dealers licensed by the administration of the Monopoly, which may grant or withhold licenses without being required to show reason therefor. Licenses are non-transferable, and renewable annually; the licensees must personally manage their businesses, and may not without permission transfer the business to another locality. Prices of the various products are

fixed

fixed by the Permanent Commission, in agreement with the concessionaire; the remuneration of the dealers will consist in discounts on retail prices, which will be fixed, in agreement with the Permanent Commission, by the Monopoly. All sales must be in full packages, bearing the stamp of the Monopoly.

Importation — The importation of tobacco or tobacco products is forbidden, with the exception of lots consigned to the administration of the Monopoly. At least 95% of the tobacco destined for local consumption must be of local production.

By special permission from the management of the Monopoly, individuals may be permitted to import amounts not to exceed 20 kilograms in any one year, on payment of a special tax to the Monopoly. Tobacco products so imported will not be delivered to the consignee by the customs authorities until this tax has been paid and the products marked with a banderole or stamp supplied by the Monopoly.

The importation or possession of machinery or utensils for the manufacture of tobacco products is likewise forbidden, except to the Monopoly.

Enforcement and Penalties — Infractions of the regulations are to be investigated by duly sworn agents of the Monopoly. These have no right of search; but all police and other officers of the Government are required to assist and support them in effecting searches, seizures, and arrests where infractions are established.

A

A list of penalties for various infractions is established. These penalties are considered as civil damages, and accrue to the Monopoly. Any person not connected with the administration of the Monopoly who reports infractions or assists in the arrest of guilty persons is entitled to receive one-third of any goods seized or fines imposed as a result. Another one-third of the amount is to be given to the Government agents effecting the seizure.

Temporary Provisions

Within three months of the effective date of the Monopoly, the concessionaire is required to purchase all stocks of leaf tobacco in the possession of cultivators. Prices for these stocks will be fixed by the Permanent Commission, on the basis of prices paid for the 1934 crop.

Provisions for the licensing and restriction of production will not apply during the crop year 1935. However, only those persons who planted tobacco in 1934 will be permitted to plant during 1935; and the area planted will be restricted to that devoted to the same purpose in 1934.

Within a month after the effective date of the Monopoly, all tobacco and tobacco products in the possession of manufacturers, as well as all machinery and equipment, will be inventoried and turned over to the administration of the Monopoly. The value of these stocks and equipment will be fixed by the Permanent Commission, and payment is to be effected within two months of the date of delivery. Private manufacture

must cease within three months of the effective date of the Monopoly; products sold during that period will be subject to the existing banderole tax. Products in course of manufacture at the end of this three-month period will be taken over by the Monopoly under the same conditions as those provided for raw materials. Stocks of banderole stamps remaining on hand may be returned to the fiscal authorities at their face value.

At least 98% of all employees of the Monopoly must be citizens of the French Mandated Territory. The situation of persons at present employed in the tobacco industry, and who are not taken over by the Monopoly, will be examined by the Permanent Commission.

Retailers now licensed to sell tobacco products may continue to sell until present stocks are exhausted. The administration of the Monopoly, however, may if desired inventory stocks remaining on July 1, 1935, and purchase them at cost price. Present licenses will continue to be valid during the period for which they were issued, it being understood that when present stocks are exhausted, they may renew their stocks by purchase from the Monopoly.

Holders of stocks of tobacco or tobacco products who are unwilling to sell them to the Monopoly may retain them for exportation, by making a declaration to that effect and depositing such products in warehouses of the Monopoly. The concessionaire will thereafter be under no obligation to purchase such stocks.

(TOBACCO MONOPOLY ESTABLISHED IN SYRIA, from the American Consulate General at Beirut, Syria, dated February 7, 1935.)

II. SPECIFICATIONS GOVERNING EXPLOITATION OF TOBACCO MONOPOLY

The cultivation, manufacture, transportation, exportation, importation, and sale of tobacco and tobacco products, as well as the suppression of contraband trading, are regulated by Arrêté 16/LR of the French High Commissioner, which constitutes an integral part of the present specifications.

The concessionaire is required to organize an inspection service for the purpose of advising tobacco planters and assisting them to improve their qualities; this service may also cooperate in any experimental production which may be undertaken. He is also required to purchase the total crop of producers who have been authorized to grow tobacco. Warehouses for the storage of tobacco must be maintained in producing regions, their number and location to be determined in accord with the Permanent Commission.

Importations

At least 95% of the leaf tobacco consumed must be of local production; provided that foreign tobacco may be purchased in larger quantities if local production should at any time be insufficient to meet requirements. In any event, a stock sufficient to supply the needs of the Monopoly for six months must at all times be maintained.

A list

A list of foreign tobacco products which may be imported for domestic sale, together with the retail prices, shall be drawn up by the Permanent Commission, with the advice of the concessionaire. All importations, whether of leaf tobacco or of manufactured products, must be approved in advance by the Commissioner representing the States. All imports are subject to existing customs duties; but no other taxes on tobacco or tobacco products shall be imposed, except with the consent of the concessionaire.

Distribution

The concessionaire is required to provide for retail distribution throughout the country in a manner adequate to the needs of the population. The issuance or cancelation of a retail license is to be approved by the Commissioner representing the States. Adequate stocks must be maintained in all towns having a population of 10,000 or more. Each box or package must show, in Arabic and in French, the retail price.

Discounts to retailers may vary with the locality or with especial circumstances, but may not be in excess of 10%.

The concessionaire is required to provide an adequate force of agents for the suppression of smuggling or contraband traffic.

Manufacture

The concessionaire must establish not less than three factories, one in Beirut, one in Aleppo, and one in Damascus, as well as an establishment in Latakia

for

for the preparation of tombac. He shall be required to provide all modern improvements and to remedy any defects in his equipment and methods which may be established by the Commissioner representing the States. Insurance contracts approved by the Commissioner must cover the value of all stocks, buildings and equipment, as well as third-party liability.

At least 98% of all personnel must be chosen from among citizens of the French Mandated Territory. A fund must be maintained to provide for indemnities to employees in case of their discharge.

Organization and Capital

The concessionaire must establish, within four months after the effective date of the Monopoly (March 1, 1935), a limited company to be designated "Société Anonyme de Régie Co-Intéressée Libano-Syrienne des Tabacs et Tombacs", for the exploitation of the Monopoly. The rights granted to the concessionaire are to be transferred to this society, which is to be of Lebanese or Syrian nationality, and whose Board of Directors shall have its seat in the Mandated Territory.

The capital shall consist of 1,250,000 Syrian Pounds, divided into 25,000 shares of a par value of 50 Pounds each. No promoters' share shall be issued. Arrangements shall be made for the quotation of the shares on all local exchanges. No increase in the capital shall be effected, and no obligations issued, without the authorization of the French High Commissioner. The Company shall be responsible with all its

assets

assets for the fulfilment of its engagements toward the Government.

A financial statement must be submitted to the Permanent Commission, showing all capital expenditures made in connection with the establishment of the company, including cost of incorporation of the company and all expenditures for property, stocks and equipment.

Amortisation and Accounting

Beginning in 1936, provision shall be made for amortisation and interest, in such manner that the entire capital shall be amortised by the expiration of the concession, on December 31, 1960. For this purpose, on the basis of 5% interest on capital not amortised, there shall be set aside annually for amortisation and interest the sum of Syrian Pounds 88,690.57, to be debited to the general account. After payment of interest at 5%, the balance of this sum shall be used annually for the retirement of capital stock, drawn by lot. Shares retired shall continue to draw dividends during the life of the concession.

For the year 1935, only the interest shall be paid, the necessary sum being charged to the general account of the company.

Beginning in 1939, there shall be set aside annually a sum equal to 10% of the value of the company's property, for replacement purposes. A revaluation of property shall thereafter be made annually for the purpose of determining this amount, which is to remain in the treasury of the company.

Whenever

Whenever domestic sales of tobacco products shall exceed 2,500,000 kilograms in one year, the concessionaire shall receive a premium of 2 Syrian piasters per kilogram on the excess over and above 2,500,000 kilograms.

On products exported, the concessionaire shall receive a premium of 10% of the sales price.

These premiums shall be charged to the general account of the company.

In the event that domestic consumption shall in any one year, fall below 1,500,000 kilograms, the financial provisions of these specifications may, at the request of the concessionaire, be revised.

The concessionaire will be required to present an annual balance sheet showing, as of December 31st, the financial results of the year's business. This report shall show on the credit side all revenues, from whatever source received. On the debit side shall be shown all expenditures for materials and services, overhead, reserves for interest payments, amortisation and replacement, and the fixed annual payment to the States (see below). The active balance constitutes the net profits for the year. Special accounts shall be kept of receipts and expenditures in each autonomous State, and of general receipts and expenditures attributable to the whole territory.

Disposition of Profits

The concessionaire will pay annually in quarterly instalments, irrespective of whether or not profits are earned, a fixed sum of

1,100,000

1,100,000 Syrian Pounds to the Governments of the autonomous States. The Permanent Commission is charged with maintaining a sufficient margin between prices of raw materials and of finished products to ensure that the above obligation can be met.

All earnings over and above the fixed annual payment above mentioned, which are designated as net profits, shall be divided as follows:

1. For the first 750,000 Pounds: 85% to the States and 15% to the concessionaire.
2. For the next 250,000 Pounds: 87.5% to the States and 12.5% to the concessionaire.
3. For the next 250,000 Pounds: 90% to the States and 10% to the concessionaire.
4. For the next 250,000 Pounds: 92.5% to the States and 7.5% to the concessionaire.
5. For all further net profits: 95% to the States and 5% to the concessionaire.

Within 15 days after the conclusion of each quarter, 90% of the estimated net profits for that period will be paid in cash to the States; the remainder of the share of the States is to be paid within 15 days after the submission of the annual report and balance sheet.

Taxation

The concessionary society shall be exempt from all temettu and wirgho taxes, from stamp taxes in connection with its relations with the public authorities, and from notarial fees and registration fees in connection with the establishment of the company and its exploitation.

Expiration of Concession or Repurchase

At the expiration of the period of the Monopoly (December 31, 1960), all

assets

assets of the company will pass without payment into the possession of the Government, which will also assume all duly recognized liabilities. The company is obligated to leave, among these assets, a stock of raw material and equipment sufficient for the needs of the enterprise for a period of six months, unless notice has been given one year in advance of its intention not to comply with this provision.

On or after January 1, 1951, the conceding authority shall have the right to acquire the enterprise by purchase, on one year's notice. In this event, the concessionaire shall be paid the value of all stock not amortised, and shall receive, for each year remaining until the expiration of the concession, an indemnity equivalent to 40% of his share of the average net profits for the seven years preceding the re-acquisition of the Monopoly by the States. At the option of the Government, this payment may be in a lump sum equivalent to the cash value, calculated on a basis of 5%, of the annuities.

Financial Control

The French High Commissioner will appoint a Commissioner representing the States, who will exercise supervision over the operation of the Monopoly. This Commissioner will be authorized to examine any and all documents, establishments, and operations of the Monopoly, and to attend all meetings of the Board of Directors. Any addition to the capital of the company or any emission of securities, as well as all expenditures amounting to more than 1,500 Syrian Pounds, must

have

have his approval in advance. He must furthermore approve in advance all general regulations and instructions issued by the management. The salary and expenses of the Commissioner and his staff, which will be fixed by the French High Commissioner, are chargeable to the Monopoly.

The concessionaire is required to furnish to the financial inspectors of the French High Commission all information necessary to the performance of their duties. All accounts and vouchers must be produced at their request. A detailed annual balance sheet must be submitted.

On October 31st of each year the company must submit for the approval of the High Commission its budget of expenditures for the ensuing calendar year. A quarterly balance sheet must also be submitted, as well as the annual general report which has been mentioned above.

In the event of disagreement between the Monopoly administration and the local authorities or the Commissioner, the final decision rests with the French High Commissioner. The French High Commissioner has also authority to impose fines, in amounts varying from 100 to 2,500 Syrian Pounds, for infractions of the terms of the concession.

Conditions of Award of Concession

Bids of applicants for the Monopoly concession will be received by the Financial Adviser of the French High Commission on February 19, 1935, at 10:00 A.M. These bids must be submitted on a form which will be

supplied

supplied on request by the High Commission, and which contain a sworn engagement of the bidder to abide by all the conditions prescribed by Arrêté 16/LR and the specifications. The bid must be accompanied by:

1. A certificate of nationality.

2. A certificate, from the Finance Department of the State of which the bidder is a national, certifying that he has for at least three years past been by occupation a tobacco manufacturer.

3. A bond in the amount of 100,000 Syrian Pounds, which may be furnished either by cash deposit in the Banque de Syrie or by bank guarantee. Bonds of unsuccessful bidders will be released within 30 days of the opening of the bids.

Bids will be opened by a committee appointed for that purpose on February 19th, at 10:00 A.M. The French High Commissioner, in agreement with the Conference of Common Interests, will make the award, from a list of bidders certified by the committee to have fulfilled the conditions specified. In making the award, consideration will be given to the guarantees offered by each bidder, from the point of view of financial qualifications, technical experience, and moral standing. The High Commissioner reserves the right to reject all bids.

The capital stock in the company to be formed by the successful bidder for the exploitation of the concession must be offered for subscription with the following preferences:

60% of the stock is reserved for tobacco manufacturers carrying on business in the Mandated Territory on January 1, 1935.
10% of the stock is offered to the public.
30% of the stock is reserved for the concessionaire.

Any portion of the share allotted to manufacturers which is not taken up will be added to that allotted for

public

public subscription. In case of oversubscription by manufacturers, allotment will be made on the basis of banderole stamps canceled by each in 1934. Any stock not subscribed by manufacturers or the public will be taken up by the concessionaire.

The successful bidder must constitute the stock company for exploitation of the concession within four months dating from March 1, 1935, and must have organized the Monopoly as a going concern within six months from that date; failing which the concession will be canceled and the bond posted shall be forfeited.

(TOBACCO MONOPOLY ESTABLISHED IN SYRIA, from the American Consulate General at Beirut, Syria, dated February 7, 1935.)

III. COMMENTS

Whether or not the establishment of the tobacco Monopoly will fulfil its announced purpose of augmenting revenues, while at the same time protecting the interests of agriculture, industry, and consumers, is difficult to predict. In general, it may be stated that the terms of the Arrêté and of the specifications appear to provide fairly adequate safeguards for the interests involved. The economic effects of the Monopoly will in practice depend largely on the good-will of the concessionaire, and on the vigilance with which the supervisory authority controls its actions. It should be said in this connection that the existing concessionary societies in Syria and the Lebanon have definitely not contributed to the economic well-being of the country, chiefly because of the too benevolent attitude of the Mandatory authorities; and a considerable portion of the opposition to the establishment of a Monopoly has arisen from the belief, on the part of persons not directly affected, that the experience will be repeated in this instance.

C O N F I D E N T I A L

Leaving aside the human equation, however, the following comment regarding the proposed régime may be offered:

Effects on Agriculture — In recent years tobacco production in the Mandated territory has averaged around 4,500,000

pounds

pounds, although in 1931 about 11,000,000 pounds were grown, and this production could undoubtedly be exceeded if a profitable market existed. However, no profitable export market has been developed, and domestic consumption in the form of manufactured products has varied from a minimum of 3,300,000 pounds to a maximum of 5,500,000 pounds. Should the Monopoly succeed in increasing consumption, the farmer would certainly benefit; and should consumption be increased above the former maximum of 5,500,000 pounds (2,500,000 kilograms), the concessionaire would also receive a premium of 2 piasters per kilogram.

It is not impossible that consumption of manufactured products might be sharply increased, provided that the control exercised is effective in preventing illicit planting. Many peasants, especially in the Lebanon, have been accustomed to plant small plots chiefly for their own use. With such planting forbidden, they might presumably consume manufactured products. As a matter of fact, it is the prohibition of free cultivation which has aroused the greatest opposition among farmers.

The use of imported tobacco has been limited to 5% of total consumption. This will presumably bring no change, inasmuch as under present conditions importation accounts for only about 5% of the raw material used.

The position of the farmer will be improved only if prices of leaf tobacco are increased. In this respect his fate will be largely in the hands of the concessionaire, since prices of leaf tobacco are to be fixed by the Permanent Commission "on the basis of suggestions

made

made by the Monopoly". Furthermore, tobacco rejected as unfit for use becomes a total loss, as it is to be destroyed immediately by Monopoly agents. And, as above stated, planting for private use will be forbidden.

Effects on Industry

Provision is made for the purchase, at a price to be fixed by the Permanent Commission, of all existing equipment and stocks in the hands of manufacturers. The Compagnie Libano-Syrienne des Tabacs, successor of the former Ottoman Régie, which is believed to be practically certain to obtain the concession, has recently purchased a number of factories, and controls now about 70% of the total productive capacity; only three factories of any importance remain independent.

Competition has recently been extremely keen, and many manufacturers, especially those operating on a small scale, have been unable to produce profitably. Thus a portion of the industry will be benefitted by the change. On the other hand, the more efficient manufacturers will be deprived of their business; and inasmuch as the capital investment is comparatively small, the purchase of their equipment will not compensate them entirely for their loss.

Possibly 2,000 persons are employed in the industry. Of these approximately one-half are in very small establishments, located often in small villages, and using little or no machinery. If production is concentrated in three factories, in Aleppo, Beirut, and

Damascus (The probable concessionaire has factories in these three places), the greater portion of the village workers will lose their employment.

Effects on Consumers

As has been stated above, the tobacco industry as a whole has not been prospering in recent years, chiefly on account of excessive competition, which has reduced prices to unprofitable levels. Low prices of manufactured products have naturally reacted upon farmers in the form of low prices for leaf tobacco. Inasmuch as it is hoped to improve the condition of the tobacco growers as well as that of the industry, an increase in the prices of tobacco products will be a natural consequence of the establishment of the Monopoly. Manufacturers estimate that, in order to effect an improvement in prices of leaf tobacco and at the same time to make manufacture profitable, prices of finished products will have to be increased by 30% to 40%.

Effect on State Revenues

As nearly as can be estimated (accurate figures are not available), revenues of the States from the excise tax now in force amount to not more than 1,500,000 Syrian Pounds annually. Manufacturers estimate that on the basis of present consumption and present raw material prices, and with an increase of about 20% in prices of finished products, a gross profit of about 2,000,000 Syrian Pounds should accrue from the operation of the Monopoly. A simple calculation based on this figure shows that the share

of the States would be nearly 1,800,000 Pounds annually; and any increase in gross profits would of course correspondingly increase these revenues.

This one object could of course be attained equally well through an increase in the present banderole tax by an amount sufficient to produce the additional revenues desired.

Possible Effects on American Trade

So far as can be ascertained from the text of the Arrêté and the specifications, there is no reason to anticipate that American trade with this country will be affected. The permissible proportion of foreign tobacco in local manufacture is fixed at 5%, which is approximately the proportion of total consumption represented by present imports; and as one of the chief importers of American leaf tobacco is the concern which will presumably be the concessionaire, it is hardly probable that imports from the United States will decline.

Under present conditions the duty and banderole taxes make it practically impossible to effect sales of American tobacco products in this country. The new régime makes it possible to sell imported products to some extent if it is so desired. Whether American products will be placed on sale will depend entirely on the decision of the concessionaire.

867.7/860.7
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NO. 836 *Extra copy*

AMERICAN CONSULATE GENERAL,

BEIRUT, SYRIA February 8, 1935.

CONFIDENTIAL

SUBJECT: Further Comment on Tobacco Monopoly.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to my report of February 7, 1935, entitled "Tobacco Monopoly Established in Syria", and to submit herewith certain observations which I have deemed it inadvisable to include in that communication.

In the first place, it must be stated that the regulations governing the Monopoly, as now promulgated, are considerably more favorable to the Government than the original draft which apparently had the approval of the High Commissioner. My informant, a prominent cigarette manufacturer, was one of the delegation from the tobacco industry which called upon M. de Martel some weeks ago to protest, and was shown the draft of the specifications as then existing. That original draft contained no mention of the fixed sum of 1,100,000 Pounds to be paid to the Government irrespective of the profits accruing, but provided that the concessionaire

should

should receive a flat 20% of all profits of operation. On the basis of operating profits of 2,000,000 Syrian Pounds annually, which, as stated in the report above referred to, appears to be a reasonable estimate, this would have meant that the concessionaire would have received 400,000 Pounds annually, as compared with slightly more than 200,000 Pounds under the present regulations. It is generally believed that the strong protests of this industrial group, coupled with those from other sources, were largely responsible in effecting this annual saving for the States, at the expense of the concessionary company.

As was stated in my despatch No. 811 of December 31, 1934, the exploitation of the Monopoly will in all probability be entrusted to the "Compagnie Libano-Syrienne des Tabacs", the successor of the former Ottoman Régie. According to the best information available, eighty per cent of the stock of this company is owned by the French Crédit Foncier, the remainder being in the hands of the Matossian interests, which in turn are owned by the British-American Tobacco Company.

Both the "Compagnie Libano-Syrienne" and the Matossians have, it is generally reported, been operating unprofitably under the banderole system. It is being maliciously reported - but probably not entirely without foundation - that the unfortunate situation of this French company was not one of the least considerations in connection with the decision to establish a Monopoly.

In

In any event, the "Compagnie Libano-Syrienne" has apparently for several months past had fairly definite assurance that it would be the concessionaire; for it has for some time been buying up stocks of tobacco, and has also been quietly acquiring tobacco factories, until at present it is said to control, together with the allied Katossian interests, about 70% of the local industry.

This fact, by the way, casts an interesting side-light on the provision that 60% of the shares of the operating company to be formed must be offered to domestic tobacco manufacturers, 10% to the public, and only 30% reserved to the concessionaire. The "Compagnie Libano-Syrienne" and the Katossians, owning 70% of existing factories, may thus add to their reserved 30% an additional 42% of the total capital stock.

With reasonably efficient management, the exploitation of the Monopoly should turn out to be quite profitable. Assuming gross profits of 2,000,000 Pounds annually, the operating company will receive, in addition to 5% interest on the share capital and the reserve for amortisation of the share capital in 25 years, a sum more than sufficient to pay dividends of 10%; and on shares drawn by lot for retirement dividends will continue to be paid during the duration of the concession.

For the sake of completeness, and in concluding these observations, I repeat the statement made in the report of February 7th, to the effect that, considering only the terms of the regulations promulgated by

the

the French High Commissioner, there is no reason why the Monopoly should not produce a considerably increased revenue for the States, without working great harm to any class. Such a result presupposes: willingness on the part of the Régie to assist the peasant by showing him how to improve the quality of his tobacco, and by passing on to him in the form of higher prices a portion of the increased prices to consumers of the finished product; continued vigilance on the part of both the Régie and the authorities for the suppression of contraband; and governmental supervision which, with these two objects in view, will support the interests of the people whenever these are found to be in conflict with the interests of the Régie. One may hope for the best; but the history of other concessions held by powerful French interests in this country does not provide ground for excessive optimism.

Respectfully yours,

Christian T. Steger,
American Consul.

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NO. 837

File Copy

AMERICAN CONSULATE GENERAL,

BEIRUT, SYRIA February 9, 1935.

CONFIDENTIAL

SUBJECT: Tobacco and Politics.

867.7/800/860.2

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to report that, although the French High Commissioner has, as previously reported, decided to abandon politics in favor of economic projects, these economic plans persist in assuming a political tinge. I refer to the matter of the tobacco Monopoly, which was the subject of a report dated February 7th, and of my despatch No. 836 of yesterday.

If, as stated in despatch No. 816 of January 9, 1935, M. de Martel was surprised at the strong opposition aroused by the Monopoly project, his surprise has not diminished in the meantime. Protests from all sides, especially in the Lebanon, have increased in number and in persistence; and even Syrian leaders, who in the past have held no especially strong convictions on the subject, and have been in fact rather more favorable than otherwise to the idea, have joined in the hue and cry, probably as usual with the idea of making po-

litical

litical capital of any question which arouses public interest.

Possibly the greatest shock to the Mandatory authorities, and certainly the one which has transformed the tobacco question into a political issue, was the determined opposition of the Maronite Patriarch, the traditional friend and protégé of France. On January 30th, the day of the signing of the Arrêté establishing the Monopoly, but before its publication, His Beatitude, losing hope of changing M. de Martel's mind, sent the following telegram to the Ministry of Foreign Affairs at Paris:

> "Entire country greatly disturbed fearing surprise decision tobacco Monopoly begs us entreat you cable urgent order to defer decision. We beg you take into consideration unanimous desire population. We protest in the name of Lebanese and Syrians against any Monopoly."

This cable, in the evident belief - a belief which, according to the Secretary of the President of the Lebanese Republic, was well founded - that the local authorities would not permit its transmission, was sent from Haifa. The lack of faith in the Mandatory authorities evinced by this decision was not the least of the factors which disturbed M. de Martel; and as a matter of fact, several of the Maronite Bishops themselves disapproved of this tactless method of transmitting the plea.

A rather interesting result of this telegram was that Syrian Nationalist leaders, quick to ally themselves with any influential person in conflict with the Mandate, showered the Patriarch with congratulatory

telegrams

telegrams, affirming what had always hitherto been vigorously denied - namely, that he speaks for the Syrian as well as the Lebanese people. An alliance, even temporary, between the oldest and most powerful friend of France and the most intransigent opponents of the Mandatory, is, to say the least, a revolutionary development.

Inasmuch as the extremely strong influence of the Patriarch in political affairs is largely the result of the deference which has always been shown him as a matter of French policy, public opinion was at first inclined to the belief that this influence would diminish promptly as a result of this open rupture - that "the grass would grow on the road to Bkérké", the Patriarchal seat. This impression persisted when, in conversation with newspaper men who interviewed him regarding the telegram, His Beatitude took occasion to criticize the entire economic program of the present High Commissioner, declaring that the vitality of the country was being sapped by taxation in order that French concessionary companies, such as the D. H. P. Railway and the Port Company, might profit.

Possibly the Patriarch, after his first enthusiasm had evaporated, decided that he may have gone a little too far. Possibly also M. de Martel had instructions to calm him down. At any rate, the grass has not entirely choked the road to the Patriarchal seat. I hear from reliable quarters that communication between His Beatitude and the High Commissioner is being maintained. And on February 5th the Patriarch

disclaimed

disclaimed alliance with the Syrian Nationalists in a statement somewhat as follows:

> "Lest a false impression prevail, we wish to state that the bases of Lebanese national sentiment toward France have not changed; our attitude remains unchangeable in principle.
>
> "Our protest was made in conformity with the desire of the whole country; we spoke in the name of Syrians and Lebanese because in this instance our interests are the same.
>
> "We wish for our Syrian neighbors a prosperous future... but we insist firmly on the independence and integrity of the Lebanon."

In other words, we love France, even though we disagree with what her representative is doing just at this time; we are on one point in agreement with the Syrians, even though we are not especially interested in making our relations with them any closer.

From one or two sources I have heard a rumor to the effect that, in view of the strong opposition, the idea of the Monopoly may be dropped - that the High Commissioner, when the bids are opened, will declare that none are acceptable, and the matter will gradually be allowed to die out. Personally, I find it difficult to credit this. Now that M. de Martel has insisted on carrying out his plan in the teeth of all local opposition, a sudden about-face could only be interpreted as meaning that he had been overruled by his superiors; and this would be fatal to his prestige.

Lest inadvertently I have given the impression that the idea of the Monopoly has absolutely no supporters in this country, I should state definitely that

this

this is not the case. Governmental circles, with the exception of a few deputies, would naturally not dare open opposition; and their silence thus does not necessarily mean that they actively favor the plan. A certain proportion of the population, however, has always been in favor of a State Monopoly, as opposed to the banderole system; such feeling is more prevalent in Syria than in the Lebanon, which is the chief center of tobacco culture. The opposition by Syrian Nationalist leaders is more a matter of habit than of conviction, as some of them a few years ago openly expressed themselves in favor of the Monopoly. Left to itself, Syrian opinion would in general be more or less indifferent.

Others, in voicing opposition, envisage not so much the tobacco Monopoly as an individual project, but as another step in the general tendency toward placing Syrian and Lebanese enterprises in the hands of French concessionary companies; the example of the D. H. P. Railway, the Port Company, the Auto Routière, and others makes them sceptical in the face of assertions that this project is entirely in the interest of the population. The question of a transport Monopoly which will enable the Auto Routière to remove all local competition to itself and the railway is already being discussed; and this concession would definitely be much worse for the country than the tobacco Monopoly. All in all, there is a growing feeling that the whole country is in danger of being swallowed up by French interests; and if this is the meaning of M. de Martel's

plans

plans for economic improvement, they prefer to reject these projects in toto.

Respectfully yours,

Christian T. Steger,
American Consul.

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VOLUNTARY REPORT

CONCESSION FOR SYRIAN TOBACCO MONOPOLY AWARDED

— * —

From Consul Christian T. Steger,

American Consulate General,

Beirut, Syria.

Date of Completion: March 2, 1935.

Date of Mailing:

(CONCESSION FOR SYRIAN TOBACCO MONOPOLY AWARDED, from the American Consulate General at Beirut, Syria, dated March 2, 1935.)

Reference is made to a report, dated February 7, 1935, entitled "Tobacco Monopoly Established in Syria", which gave details regarding the conditions under which the production and sale of tobacco and tobacco products are to be made the object of a Monopoly.

On February 19, 1935, the date established for the opening of bids, the French High Commissioner awarded the concession to a group composed of the following tobacco manufacturers:

1. Compagnie Libano-Syrienne des Tabacs.
2. Osman Charabati, of Damascus.
3. Jean Kassouf et Frères, of Beirut.
4. Sawaya et Fils, of Beirut.
5. Mounib El Soukari, of Damascus.

It will be noted that the group is headed by the Compagnie Libano-Syrienne des Tabacs (usually called the "Régie"), which was mentioned in the report of reference as the probable concessionaire. The remaining firms mentioned are owned and controlled by the "Régie". A majority of the stock of Sawaya et Fils was acquired some months ago, with the additional private understanding that when the Monopoly should be established the Compagnie Libano-Syrienne should be entitled to the allotment of shares in the concessionary company which might be made to Sawaya et Fils in their capacity as manufacturers. The factory of Kassouf, as well as a hotel owned by this firm, is heavily mortgaged to the "Régie", with an understanding that the "Régie" shall

take

take over such allotment of shares as might be made to Kassouf as a manufacturer. The factories of Soukari and of Charabati have also been bought over by the "Régie"; Soukari has been promised a place on the Board of Directors of the new company, while his son is to be manager of the Damascus factory; one of the former owners of the Charabati factory is also to be on the Board of Directors, while another is to be given a minor executive position with the Monopoly.

Thus the Compagnie Libano-Syrienne will have, in addition to the 30% allotted to the concessionaire as such, a large proportion of the shares in the new company which are reserved for manufacturers. In addition to those mentioned above, it has acquired the large factory of Gabriel Saadé et Fils, of Latakia, and several smaller concerns. In all probability the Compagnie Libano-Syrienne will have at least two-thirds of the shares of the concessionary company.

It might be of interest to note in passing that the new concessionaire was the only bidder. Several local tobacco manufacturers who had remained independent had considered the possibility of qualifying and submitting a bid; but being convinced that the Compagnie Libano-Syrienne would in any event receive the award, they decided that it was not worth while to make the effort.

Taking cognizance of a number of definite objections expressed by Lebanese interests, the High Commissioner, after announcing the award, addressed to the concessionaire a letter clarifying certain points in the basic law governing the exploitation of the Monopoly

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poly. The most important of these points are as follows:

Although the management of the Monopoly is authorized to grant licenses for planting, it is to be clearly understood that tobacco cultivation shall continue to be carried on in those sections where it has been usual in recent years. This provision is intended to avoid the possibility that licenses might be arbitrarily refused to persons who have habitually depended on tobacco growing as a regular occupation.

Domiciliary search may be effected by Monopoly agents only in the presence of the Mukhtars or of two members of the Council of Elders of the villages.

Warehouses for receipt of tobacco bought from farmers must be established at points convenient to areas under cultivation; several towns and villages are definitely mentioned in this connection.

Permission for importation of foreign tobacco in the event of insufficiency of the local crop is to be given only in the event that this shortage is the result of unfavorable weather conditions; it is to be understood that the concessionaire will not receive such permission if the insufficiency results from the failure of the Monopoly to grant licenses for the planting of a sufficient area.

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<u>CONFIDENTIAL.</u>

No. 518 - Diplomatic Baghdad, July 23, 1935.

Subject: Extension of the Iraq Railway system to Tel Kotchek, Syria.

AMERICAN CONSULATE GENERAL
JUL 31 1935
BEIRUT, SYRIA

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to despatch No. 204 - Diplomatic - of May 5, 1932, enclosing copy of the Convention made by the Iraq Government with the British Oil Development Company Limited dated April 20, 1932, in which the company was granted the exclusive right "to explore, prospect, drill for, extract and render suitable for trade petroleum, naphtha, natural gases, ozokerite, and the right to carry away and sell the same and the derivatives thereof" for a period of seventy-five years in all the lands of Iraq situated West of the Tigris River and North of the thirty parallel of latitude.

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In accordance with this convention the B.O.D. Company has carried out during the past three years a detailed geographical survey of the land within its concession and drilled a number of wells. Apparently, the company has so far only succeeded in finding deposits of oil in the Qaiyara area, but the oil is so thick and heavy that it cannot be sent to the Mediterranean through a pipeline.

In accordance with this convention also, the company is required to make arrangements sufficient for the transport of at least one million tons of oil per annum and to a Mediterranean sea-port either by constructing and completing a pipeline of that minimum capacity or by making arrangements for the transport of that minimum quantity, and within seven-and-a-half years the company is required to commence regular export of oil".

During this year rumors have been current in the country to the effect that the B.O.D. Company had proposed to build a railroad direct from its oil wells at Qaiyara to Tel Kotchek, on the Iraq-Syrian frontier where it would link with the Taurus Railway and that the proposed project had the approval of the Iraq Government provided the company was prepared to start the railway not from Qaiyara, but from Baiji, the present terminus of the Baghdad Railway, which was built northwards from Baghdad by the Germans before the War, and provided a branch line was also constructed to Mosul as the proposed line would not quite touch that city.

On July 14th the local press reported the arrival at Baghdad of Lord Glenconner, the Managing Director of

the

the B.O.D. Company and also Herr Thomas Brown, a German Director of the same company, in connection with the proposed railway extension; and on July 19th the Press published the following official statement issued by the Director of Propaganda and Publications:

> "The negotiations which have been going on between the Iraq Government and representatives of the British Oil Development Company Limited regarding the extension of the railway line from Baiji to Tel Kotchek, passing near Mosul and linking the Iraq Railway system with that of Syria, concluded in complete agreement. The representatives of the company will report the result of the negotiations to a meeting of the Board of Directors which is to be held in Paris at the end of this month and will obtain its consent".

The significance of an arrangement to construct a line from Baiji to Tel Kotchek (with a connection to Mosul) is outstanding since it means for Iraq an outlet to the Mediterranean via Syria and Turkey. In this regard, the traditional British point of view has for years been opposed to any scheme which would link Iraq by rails with those countries and equally traditional the British attitude has been to support a line between Baghdad and Haifa which outside of Iraq, would pass only through the mandated territories of Transjordan and Palestine and which would likewise benefit the favored port of Haifa. Presumably the two railway schemes have a strong element of being mutually exclusive in view of the heavy expenses involved as compared to the amount of potential freight.

Aside from the general point of view, the local aspect of the projected Baiji-Tel Kotchek arrangement is that Mosul and the adjacent northern territory should definitely benefit while Basrah, Iraq's only port, may suffer from a rival, overland, outlet.

The

The suggestion has been raised that agreement on the Baiji-Tel Kotchek project necessarily implies some understanding on the ownership of the Iraq Railways, now under discussion between the Iraq and British Governments, as well as a decision, for the time being at least, against undertaking the Haifa-Baghdad project. This last is in line with what was reported on the same subject in despatch No. 498 - Diplomatic - of June 27, 1935, entitled "Iraq Railways". The development of this matter will be carefully observed and reported to the Department as information is obtained.

Respectfully yours,

Stanley G. Slavens,
Charge d'Affaires ad interim.

File No. 877
AJL/SGS/jne.

Copy to:

American Embassy, London,
" " , Istanbul,
" Consulate General, Beirut,
" " " , Palestine.